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Protecting San Francisco Residents From The Wolves Of Wall Street: A Case Study

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ANALYTICAL PAPER

**An Analytical Paper Presented to the Faculty of the College and Arts and Sciences
University of San Francisco**

**In Partial Fulfillment of the Requirements of the Degree of
MASTER OF PUBLIC AFFAIRS**

by

Jessica Lindquist

May 2018

“Protecting San Francisco Residents From The Wolves Of Wall Street: A Case Study”

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COLLEGE OF ARTS AND SCIENCES

UNIVERSITY OF SAN FRANCISCO

May 2018

Under the guidance and approval of the committee, and approval by all the members, this Analytical Paper has been accepted in partial fulfillment of the requirements of the degree.

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Executive Summary

In response to the 2008 financial crisis, the Obama administration created the Consumer Financial Protection Bureau (CFPB), the federal agency responsible for protecting consumers from abusive, deceptive and predatory practices of the financial services industry. The CFPB's Consumer Complaint Database has been an important resource for the American public for the past seven years. This tool has helped to enable the Bureau to recover \$12 billion in relief for nearly 30 million consumers and identified bad actors of the financial services industry. For example, the database was instrumental in revealing that Wells Fargo opened 3.5 million fake accounts without consent of its customers.¹ This data has also been harnessed to create stronger consumer financial protections and increased regulations that promote industry accountability. Despite these tremendous benefits, the Trump administration has declared its intentions to remove the database from public view, an action lobbied for by the financial services industry.

At the city level, the San Francisco Office of Financial Empowerment (OFE) is developing a local consumer financial protection policy in an effort to fight predatory financial practices that impact the lives of San Francisco residents. There is very limited data that describes the specific problems San Francisco residents face with financial products and services. This deficit creates difficulty for city policymakers to accurately identify the trends and agents responsible for financial practices causing harm, specifically in San Francisco. One resource that has yet to be fully leveraged is the CFPB's Consumer Complaint Database, which has almost 3,400 consumer complaints filed by San Francisco residents. Given the precarious

¹ Jackie Wattles et al., "Wells Fargo's 17-month Nightmare," *CNN Money*, February 5, 2018, <http://money.cnn.com/2018/02/05/news/companies/wells-fargo-timeline/index.html>.

fate of the CFPB's Consumer Complaint Database, San Francisco must realize the urgency of leveraging this resource while it still remains publicly available.

The primary aim of the research is to uncover new information that the city of San Francisco can use to help educate, empower, and protect its residents from predatory financial practices. First, I conducted the first deep data analysis of the public complaints filed to the CFPB Consumer Complaint Database by San Francisco residents. I supplemented the data findings with interviews from consumers, advocates and policy makers to provide contextualization. My case study highlights how consumer financial harms are a city-wide problem: San Franciscans living at every income level, and in every part of the city are struggling to resolve their financial issues with the wolves of Wall Street, the financial services industry.

Based on my assessment of the research findings there are a wide range of recommendations that are both actionable and practical. I remain cognizant of the fact that Director Mulvaney might take the public database offline and therefore some of these recommendations might become obsolete by the time my research has been published.

1. The OFE should review this research's findings to inform the direction of the city's local consumer protection policy;
2. These findings should be shared with all other relevant city stakeholders;
3. The OFE should highlight the CFPB Consumer Complaint Database on their website;
4. The OFE should create a resource page on their website;
5. San Francisco should develop a Consumer Bill of Rights;

6. The OFE should commission a household level study to obtain more qualitative information about the financial struggles of San Franciscans, particularly low-income communities and families of color;
7. The OFE should pilot a financial education class that would become a graduation requirement for San Francisco Unified School District; and
8. The methodology of this report should be shared with other cities around the country so they can utilize the CFPB Consumer Complaint Database while it's still available to the public.

“The whole purpose of the law should be to protect everyone, rich or poor, noble or humble, serf or free man, public official or private citizen. But it should incline more towards helping the weaker elements, because the position of the humble men exposes them more easily to danger. The law’s indulgence should compensate for the privileges denied them by their station in life.”
- Desiderius Erasmus²

Introduction

Nicole has resorted to storing her wages in an office desk drawer at her place of work after funds she was saving for a rental deposit were garnished from her checking account for child support. Jesus decided to go to a pawnshop to sell the laptop he uses to make beats for DJ gigs because he was going hungry and couldn’t wait any longer for the next payday. Due to the deceptive mortgage loan Teresa was sold, which she thought was a fixed rate, she was forced to sell the home she had inherited from her grandmother. Amanda was receiving on average 50 phone calls a day from debt collectors demanding payment. After taking out a payday loan, Dominic ended up paying over twice his original loan. These are six real stories I learned about during my research on how the financial services industry is exploiting consumers in San Francisco.

Consumer financial protection is a 21st-century civil rights issue. These protections are regulations that protect consumers from unfair, deceptive, or abusive financial products and services. They favor the consumer over the financial services industry. This paper defines the financial services industry as a broad range of businesses that manage money, including credit unions, banks, and credit card companies, as well as more nefarious companies such as debt

² Sarah Chayes, “Lord King, How I Wish That You Were Wise: Mirrors for Princes, ca 700-1516,” in *Thieves of State: Why Corruption Threatens Global Security* (New York: W. W. Norton, 2016), 18.

collectors, payday lenders and check cashers. The financial industry controls many aspects of people's lives from the ability to access credit, to cashing a paycheck, to keeping their homes and everything in between. Consumer rights are vital for protecting and building financial assets, particularly for low-income communities, people of color, the elderly, and immigrants. Poor people often are penalized for having low or damaged credit and are forced to pay higher fees and interest rates if they want to become customers of the financial mainstream. These penalties have a disproportionate impact on their personal finances when one is living paycheck to paycheck.³ Too often the financial services industry views its low-income customers as opportunities to exploit.⁴

In the wake of the 2008 financial crisis, the Consumer Financial Protection Bureau (CFPB) was created in 2011 by the Obama Administration. The new federal agency became responsible for protecting consumers from unfair and deceptive business practices of the financial industry. Unfortunately, recently there has been an alarming rate of deregulation of consumer financial protections at the federal level by the new acting director of the Bureau, Mick Mulvaney, who was appointed by Donald Trump. The new administration's actions will have catastrophic impacts on the financial opportunities for many people living in America, especially those most marginalized. The collateral effects⁵ of these newly instated anti-consumer policies⁶

³ Jonathan Morduch and Rachel Schneider, *The Financial Diaries: How American Families Cope in a World of Uncertainty* (Princeton, New Jersey: Princeton University Press, 2017).

⁴ Gary Rivlin, *Broke, USA: From Pawnshops To Poverty, Inc. How The Working Poor Became Big Business* (New York: HarperCollins Publishers, 2010).

⁵ Lydia, Wheeler, "Mulvaney Faces Backlash over moving student loan investigation division," *The Hill*, May 9, 2019.

⁶ Such anti-consumer policies include examples such as slowing down the pace at which the CFPB penalizes companies' bad behavior, as well as shifting the agency away from enforcing and writing consumer finance laws and only providing consumers information about their legal rights.

can be mitigated by what Heather Gerken calls “progressive federalism,” in which cities can use their local power as a tool of resistance during the Trump era.⁷

There is very limited data that describes the specific problems San Francisco residents face with financial products and services. This deficit creates difficulty for city policymakers to accurately identify the trends and agents responsible for financial practices causing harm specifically in San Francisco. One resource that has yet to be fully leveraged is the CFPB’s Consumer Complaint Database, which has almost 3,400 consumer complaints filed by San Francisco residents.⁸ The Consumer Complaint Database is a publicly available collection of complaints made by Americans across the country on a range of consumer financial products and services. However, consumer advocates are extremely concerned that the Consumer Complaint Database may not survive the Mulvaney era of the Bureau’s leadership.⁹ The acting director recently started accepting comments from “interested parties” on the “usefulness” of the CFPB’s complaint reporting and analysis.¹⁰ This is an open invitation for the financial services industry to provide feedback that the database is burdensome and harmful to the marketplace, the exact evidence the Trump administration can later cite as a validated reason for taking the public database down. Mulvaney has made it clear that he’s pro-industry and in favor of deregulation.

⁷ Heather Gerken et al., “All Resistance Is Local: A Plan of Progressive Action for the Trump Years,” *The Nation*, January 27, 2017, <https://www.thenation.com/article/all-resistance-is-local-a-plan-of-progressive-action-for-the-trump-years/>.

⁸ “The Consumer Complaint Database,” The Consumer Financial Protection Bureau, accessed March 1, 2018, <https://www.consumerfinance.gov/data-research/consumer-complaints/>.

⁹ Wendy Brown, “Undoing Democracy: Neoliberalism’s Remaking of State and Subject,” in *Undoing the Demos* (New York: Zone Books, 2015), 27.

¹⁰ Ben Lane, “CFPB Invites Comments on ‘Usefulness’ of Consumer Complaint Database, Reports,” *Housing Wire*, March 1, 2018, <https://www.housingwire.com/articles/42653-cfpb-invites-comments-on-usefulness-of-consumer-complaint-database-reports>.

His latest actions will embolden predatory institutions in the financial services industry to loudly object to the Bureau's consumer complaint collection and reporting, threatening the possible removal of the database.¹¹ In April 2018 those fears were realized when Mick Mulvaney suggested that he might remove the database of complaints to the agency from public view.¹²

I asked Deborah Jackson, who works on financial empowerment programs for the San Francisco Housing Development Corporation (SFHDC), about what effect the removal of the database would have on the communities SFHDC serves, who predominantly live in Bayview-Hunters Point, the Western Addition and Potrero Hill. She stated, "we already are dealing with an overwhelming problem in the Bay Area with uninformed people, and the possibility of them being ripped off more, without any recourse, will be greater."¹³ Given the precarious fate of the CFPB's Consumer Complaint Database, San Francisco must realize the urgency of leveraging this resource while it still remains publicly available.

I have conducted the first deep data analysis of the public complaints filed to the CFPB Consumer Complaint database by San Francisco residents. My case study highlights how predatory financial services are a citywide problem: San Franciscans living at every income level and in every part of the city are struggling to resolve their financial issues with the wolves of Wall Street, the financial services industry. Putting this revelation in context of what's happening at the national level, where the original mission of the CFPB is under attack, underscores my argument that localities like San Francisco need to step up where they can to take the place of the federal government and provide consumer financial protections and education for city residents.

¹¹ Ibid.

¹² Sylvan Lane, "Acting CFPB Chief Mulls Taking Down Public Complaint Database," *The Hill*, April 24, 2018, <http://thehill.com/policy/finance/384697-acting-cfpb-chief-mulls-taking-down-public-complaint-database>.

¹³ Deborah Jackson, interview with the author, March 22, 2018.

My research has four primary goals: 1) to reveal the value of the CFPB Consumer Complaint Database, 2) to explain why City Hall, and more specifically the San Francisco Office of Financial Empowerment, should urgently leverage the information of this database now, 3) to conduct the first in-depth data analysis of complaints submitted by San Francisco residents in an effort to influence policy, and 4) to uncover the limitations of the database through interviews with consumers, advocates and policy experts. Despite its limitations, which I will explain later, the CFPB Consumer Complaint Database is an extremely valuable resource for consumers, advocates, and policymakers. Finally, I propose a set of recommendations for how the city of San Francisco can develop its own local consumer financial protection policy. I argue that the San Francisco Office of Financial Empowerment should use my findings to benefit future policy and program priorities.

The Health of Our Democracy: The Correlation Between Economic Equality and Political Equality

In “*Democracy in America? What Has Gone Wrong and What We Can Do About It*,” Benjamin I. Page and Martin Gilens state that, “over the course of American history, the health of democracy and the extent of economic inequality have tended to rise and fall together.”¹⁴ They define democracy as “policy responsiveness to ordinary citizens.” Page and Gilens connect economic equality to political equality, the idea that all citizens should have an equal opportunity

¹⁴ Benjamin I. Page and Martin Gilens, *Democracy In America? What Has Gone Wrong And What We Can Do About It* (Chicago: The University of Chicago Press, 2017), 4.

to influence the making of public policy.¹⁵ When citizens are able to equally impact our political system, politics tends to be more democratic. However, when wealth is highly concentrated, political power is also concentrated and average citizens without significant economic resources lose their political power and democracy declines.¹⁶ Unfortunately, economic inequality has been growing in the United States for the last 30 years and is now comparable to levels of the Great Depression.¹⁷

In a recent op-ed, Aaron Klein of the Brookings Institute argues that the financial services industry is one of the major actors responsible for America's current state of economic inequality. The industry's business models blatantly favor the wealthy and punish the poor with expensive fees and interest rates they cannot afford, which prevent their ability to save and protect their critical assets.¹⁸ Our current financial system makes economic mobility largely unattainable because low-income people have such a harder time getting ahead. Klein argues that many people and policymakers don't think about the magnitude of the problem and the solutions necessary to address it.

Gilens and Page reason that this is due in large part to the fact that America's wealthiest financial corporations regularly lobby in Washington and are effective at stopping what would be popular and important legislation from getting passed.¹⁹ The financial sector is by far the largest

¹⁵ Ibid, 5.

¹⁶ Ibid, 19.

¹⁷ The New York Times Editorial Board, "The Tax Bill Inequality Created," *The New York Times*, December 16, 2017. <https://www.nytimes.com/2017/12/16/opinion/sunday/tax-bill-inequality-created.html>.

¹⁸ Aaron Klein, "America's Poor Subsidize Wealthier Consumers in a Vicious Income Inequality cycle," *Brookings Institute*, February 6, 2018,

https://www.brookings.edu/opinions/americas-poor-subsidize-wealthier-consumers-in-a-vicious-income-inequality-cycle/?utm_campaign=Brookings%20Brief&utm_source=hs_email&utm_medium=email&utm_content=60566274.

¹⁹ Page and Gilens, *Democracy In America*, 149.

source of campaign contributions to federal candidates and parties, according to the Center for Responsive Politics.²⁰ In 2010 donations began to be more heavily focused toward Republicans, reflecting the financial services industry's interests in overturning regulations from the Dodd-Frank Act, enacted to protect consumers from predatory lending practices and risky financial decisions by the industry. However, donations from Wall Street also have pushed many Democrats to the center or even to the right on financial regulation issues. For example, in early March of 2018, a number of moderate Democrats voted with Republicans to roll back key banking regulations that were passed after the 2008 financial crisis.²¹

The financial services industry is exacerbating economic inequality because it is able to exert a tremendous amount of influence over what the federal government does, and the lives of ordinary citizens are at best deprioritized and at worst ignored, resulting in even greater economic inequality that too easily turns into political inequality. The health of our democracy is at stake, underscoring the need for reforms that promote both economic and political equality.

San Francisco's income inequality is among the worst in the country.²² At a time when the cost of housing is pricing out long-time residents, especially vulnerable communities like seniors and families of color, it's important for the city to invest in financial empowerment policies so that our residents can build and protect their financial assets. Financial empowerment

²⁰ "Finance/Insurance/Real Estate," The Center For Responsive Politics, accessed April 28, 2018, <https://www.opensecrets.org/industries/indus.php?Ind=F>.

²¹ Zachary Warmbrodt, "Victory in Sight for Democrats Defying Warren On Bank Bill," *Politico*, March 5, 2018. <https://www.politico.com/story/2018/03/05/democrats-warren-bank-regulations-383779>.

²² Alan Berube, "City and Metropolitan Income Inequality Data Reveal Ups and Downs through 2016," *The Brookings Institute*, February 5, 2018, <https://www.brookings.edu/research/city-and-metropolitan-income-inequality-data-reveal-ups-and-downs-through-2016/>.

means the ability to control one's financial future.²³ San Francisco is a city that prides itself on diversity, and that diversity must also include economic diversity. Better understanding of the financial hardships experienced by low-income residents will empower City Hall to strategically prioritize local consumer financial protections and education in an effort to help the working poor protect their money. Independent of broader economic challenges, all consumers should be aware of their rights so they are not taken advantage of by the financial services industry. Informing all consumers of their rights is something that I believe the city of San Francisco, more specifically the San Francisco Office of Financial Empowerment can and should help with, which will be explained later in my recommendations.

The San Francisco Office Of Financial Empowerment

The Office of Financial Empowerment (OFE), established in 2006, is housed within the Office of the Treasurer of San Francisco and is charged with strengthening the economic security and mobility of low-income San Franciscans. A number of cities across the country have similar-type offices including New York, Nashville, Boston, Austin, Lansing and Miami.²⁴ Their website states, “under the leadership of Treasurer José Cisneros, the OFE had engaged with partners inside and outside of City Hall to equip San Franciscans with knowledge, skills, and resources to strengthen their financial health and well-being.”²⁵

²³ John Madison, “What is Financial Empowerment?,” 60 Minute Finance, accessed February 10, 2018, <http://60minutefinance.com/what-is-financial-empowerment/>.

²⁴ “About the Coalition,” Cities For Financial Empowerment, accessed January 30th, 2018, <http://cfefund.org/coalition/>.

²⁵ “About Us,” The San Francisco Office of Financial Empowerment, accessed Feb 12th, 2018, <https://sfgov.org/ofe/about-ofe>.

The OFE administers a number of programs that help low-income families build economic security and mobility. The Kindergarten to College program is the first and largest universal child savings program of its kind in the United States and manages college savings accounts for 30,000 students in the San Francisco Unified School District.²⁶ Last year the program hit a milestone of \$3 million saved by students and their families.²⁷ The Summer Jobs Connect program provides San Francisco high school students with a credit union account, financial education, and strategies to save during summer employment.²⁸ The OFE's Smart Money Coaching delivers financial coaching at 18 sites across the city. The Bank On San Francisco program is a part of Cities For Financial Empowerment network, and helps residents access safe, affordable accounts at responsible financial institutions.²⁹ The OFE's website asserts that the percentage of unbanked residents dropped from 5.9% in 2011 to 2.1% in 2015 due in large part to Bank On San Francisco.³⁰

Consumer financial protections have always been a policy priority of the OFE. For example, in May 2008, San Francisco worked with its Planning Department to pass the "Fringe Financial Service Restricted Use District" (Municipal Code section 249.35), which prohibits new or relocating check cashers and payday lenders from six special districts, and prohibits them from within ¼ mile of an existing fringe financial service. More recently, in December 2016, the city sanctioned Wells Fargo for its widespread illegal practices around fraudulent account

²⁶ Ibid.

²⁷ The San Francisco Office of Financial Empowerment (@SFOFE), Twitter post, December 18, 2017, 9:01 a.m., <https://twitter.com/SFOFE/status/942802084591755264>.

²⁸ "About Us," The San Francisco Office of Financial Empowerment.

²⁹ "Our Strategy," The San Francisco Office of Financial Empowerment, accessed April 27th, 2018, <http://sfgov.org/ofe/our-strategy>.

³⁰ "History of Innovation: Bank On San Francisco 2.0," The San Francisco Office of Financial Empowerment, accessed May 1st, 2018. <http://sfgov.org/ofe/history-innovation>.

openings, sales targets, and compensation incentives.³¹ Joshua Sabatini of the SF Examiner reported that, “the sanctions included a two-year suspension of Wells Fargo’s ‘provision of broker/dealer, commercial banking, and commercial paper dealer services to the city;’ a two-year removal of Wells Fargo from the provision of securities investments and counterparty/repurchase agreements and required Wells Fargo to incorporate social responsibility provisions in future banking contract solicitations.”³² Treasurer Cisneros also suspended Wells Fargo as a partner to Bank On San Francisco, citing predatory and potentially criminal actions against consumers.³³

In the summer of 2017, the OFE unveiled its strategic framework for 2017-2021, a five-year vision that prioritizes supporting communities across the city that face the greatest economic challenges, specifically low-income communities and communities of color.³⁴ This demographic includes those who reside, work or receive city services in San Francisco’s low-income neighborhoods. The OFE has three primary goals to support its vision. The first goal is to “demonstrate promising ideas and expand proven innovations.” Within this goal, the OFE is determined to focus on strategies to innovate while strengthening their existing initiatives and programs. Their second goal is “use our voice for economic justice to help families build and protect wealth.” Here the OFE wants to leverage the power of City Hall and pursue strategies to protect consumers from predatory financial practices and strengthen the impact of their programs. The OFE’s third goal is “amplify our work with strong funding, research, and

³¹ José Cisneros, “Status Report as per Resolution N. 530-16 (Wells Fargo),” The San Francisco Office of The Treasurer and Tax Collector, August 31, 2017, <http://sftreasurer.org/sites/default/files/8.31.17%20Treasurer%20Final%20Report%20to%20BOS%20re%20Wells%20Fargo.pdf>.

³² Joshua Sabatini, “SF Reacts to Wells Fargo Banking Scandal,” *The San Francisco Examiner*, December 8, 2016, <http://www.sfexaminer.com/sf-reacts-wells-fargo-banking-scandal/>.

³³ Cisneros, “Status Report Wells Fargo.”

³⁴ Ibid.

communications.” The Office wants to accomplish this goal by measuring their performance, sharing what they learn, and strengthening the organization by diversifying staffing and funding.

Building the city’s capacity for consumer financial protection is a clearly defined strategy of the OFE’s 2017-2021 Strategic Framework and is explicitly outlined to support the Office’s second strategic goal.³⁵ The OFE defines consumer financial protection as policies that focus on financial products and services that are unfair, deceptive or abusive to consumers. In the summer of 2017 I completed a public policy fellowship with the OFE and supported their exploratory phase of research on what a city-wide consumer financial protection policy could entail. Building on my research, the OFE asked me to conduct the first of its kind deep data analysis of the San Francisco complaints submitted to the CFPB’s Consumer Complaint Database. I was initially surprised to learn that city policymakers had never previously leveraged this public data, but was told later that their inability to do so has been a continuous issue of resourcing and bandwidth. The team at the OFE is small, fewer than ten people, each of whom work on different aspects of policy or manage specific programs. Additionally, in an interview, Jacob Dumez, Manager of Policy and Programs for the Office of Financial Empowerment, stated the limitations of the database make the Office question how many of the complaints are submitted by low-income residents, the OFE’s prioritized demographic.³⁶ I will go into this issue later.

As of March 1st, 2018 there were 3,390 complaints submitted and published to the CFPB Consumer Complaint Database by San Francisco residents.³⁷ While this will not be an exhaustive list or complete reflection of all the consumer harms felt by San Franciscans, the number of

³⁵ The San Francisco Office of Financial Empowerment, “Our Strategy.”

³⁶ Jacob Dumez, interview with the author, March 27, 2018.

³⁷ The Consumer Financial Protection Bureau, “The Consumer Complaint Database.”

complaints is a large sample size that will nonetheless be able to provide insight into trends and bad actors that are specific to San Francisco. For example, James Clark, the chief deputy of the Office of the Los Angeles City Attorney, testified that his office used the CFPB's complaint database in its investigation into Wells Fargo.³⁸ My hope is that the findings derived from reviewing the complaints will help to inform the local consumer financial protection policy that the Office of Financial Empowerment develops over the next three years as part of their strategic framework. Given that the fate of the CFPB's Consumer Complaint database is unclear, it's incredibly important that San Francisco captures and leverages this available data now so that City Hall and other stakeholders can better understand the specific consumer harms suffered by their residents.

A Brief History Of America's Recent Consumer Financial Protection Policy

The history of consumer protection in America developed from specific crises that generated public outrage and required government response.³⁹ One of the earliest examples was the creation of the Food and Drug Administration in 1906 to inspect and regulate food safety after the atrocious conditions of the meat packing industry were exposed by Upton Sinclair's 1906 novel, *The Jungle*.⁴⁰ The modern consumer protection movement started in the early 1960s, when President Kennedy developed a Consumer Bill of Rights, which outlined that consumers

³⁸ Brena Swanson, "Say Goodbye to the Controversial CFPB Consumer Complaint Database?" *Housing Wire*, February 14, 2017, <https://www.housingwire.com/articles/39217-say-goodbye-to-the-controversial-cfpb-consumer-complaint-database>.

³⁹ Spencer Weber Waller et al. "Consumer Protection in the United States: An Overview," *European Journal of Consumer Law* (May 2011), <https://ssrn.com/abstract=1000226>.

⁴⁰ Upton Sinclair, *The Jungle*, (New York: New American Library, 1906).

have the right to safety, the right to be informed, the right to choose, and the right to be heard.⁴¹

Consumer advocates like Ralph Nader highlighted the need for greater government regulation to ensure safe products. When Nader learned that auto accidents were the fourth leading cause of death (behind heart disease, cancer, and strokes), he worked to expose automobile safety design weaknesses in his 1965 book, *Unsafe at Any Speed: The Designed-In Dangers of the American Automobile*.^{42,43} His advocacy efforts eventually led to the National Traffic and Motor Vehicle Safety Act, which federally mandated cars to have unified safety standards like safety belts and shatter-resistant windshields. The U.S. Department of Justice and the Federal Trade Commission established specific consumer financial protections beginning in the late sixties. A few notable pieces of legislation include the Truth in Lending Act (1968), the Fair Credit Reporting Act (1970), and the Fair Debt Collection Practices Act (1978).⁴⁴

It's important to review the most recent history of consumer financial protection in the United States to understand the current political climate and why this is an urgent policy dilemma to address at the local level. The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law by President Barack Obama on July 21st, 2010.⁴⁵ The legislation was crafted by Democratic policymakers to ensure that another 2008 financial crisis

⁴¹ "Consumer Financial Protection: History," Law Library- American Law and Legal Information, accessed April 17, 2018, <http://law.jrank.org/pages/22685/Consumer-Protection-History.html>.

In 1985, the Consumer Bill of Rights added four more points, including: the right to basic needs, the right to redress, the right to consumer education, and the right to a healthy environment.

⁴² Waller, "Consumer Protection in the United States: An Overview."

⁴³ S. Mintz and S. McNeil, "Ralph Nader," *Digital History*, 2016, http://www.digitalhistory.uh.edu/disp_textbook.cfm?smtID=5&bioid=18.

⁴⁴ John Heath and Sarah Szczypinski, "Credit Education: History of Consumer Rights and Improvements," Lexington Law, August 23, 2011, <https://www.lexingtonlaw.com/blog/credit-repair/history-consumer-rights-improvements.html>.

⁴⁵ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 929-Z, 124 Stat. 1376, 1871 (2010) (codified at 15 U.S.C. § 78o).

would never happen again. The act allowed a series of critical financial reforms and regulations targeted at the “too big to fail” banks that were rescued by the US government at the expense of taxpayers, many of whom were left in financial ruin. A major change introduced by the Dodd-Frank Act was the formation of the Consumer Financial Protection Bureau, entrusted with the authority to protect consumers from unfair, deceptive, or abusive financial products and services.⁴⁶

The idea of the Consumer Financial Protection Bureau came from an article that Elizabeth Warren wrote in 2007, “Unsafe at Any Rate,” before she became a United States senator. She argued that just as we have safety regulations for consumer products like cars and toasters, we also need regulations on consumer financial products such as credit cards, car loans, and mortgages.⁴⁷ Warren cited the U.S. Consumer Product Safety Commission as a model for her proposed Financial Product Safety Commission, which would ensure that financial products would meet minimum safety standards and “eliminate some of the most egregious tricks and traps in the credit industry.”⁴⁸

Republicans have been trying to dismantle the financial regulation legislation ever since. In “Consumer Financial Protection Bureau: Limiting Americans’ Credit Choices”, Diane Katz from the Heritage Foundation stated, “the CFPB wields unparalleled rulemaking, supervisory and enforcement powers, all while operating without the accountability to Congress or the

⁴⁶ Ibid.

⁴⁷ Warren, Elizabeth. "Unsafe At An Rate." *Democracy Journal*, no. 5 (Summer 2007).
<https://democracyjournal.org/magazine/5/unsafe-at-any-rate/>.

⁴⁸ Warren, “Unsafe at Any Rate.”

executive branch.”⁴⁹ She argued that the agency’s policies are paternalistic and limit American's choices for investment and wealth creation.

The Financial CHOICE Act is the Republicans’ most successful attempt yet to dissolve the CFPB. It was introduced by Congressman Jeb Hensarling, who is chair of the House Financial Services Committee and was passed in the House on June 8th, 2017. The legislation aims to roll back many of the key provisions of the Dodd-Frank Act. A few notable aspects of the CHOICE act include giving Congress purview over the CFPB’s budget, prohibiting the CFPB from regulating small-dollar credit and restricting arbitration, as well as reneging its rule-making authority to prevent unfair, deceptive or abusive acts and practices (UDAAP).⁵⁰

As soon as President Obama’s appointed CFPB director, Richard Cordray, left the agency, it has quickly been subsumed into the Trump administration and started catering to the very culprits from which it was sworn to protect consumers. In just over two months, the new acting CFPB director Mick Mulvaney, who is also simultaneously the head of the Office of Management and Budget, has made it clear that under his leadership the CFPB is shifting its philosophy from regulation to deregulation. In a January 23rd, 2018 memo he wrote, “We are government employees. We don’t just work for the government, we work for the people. And that means everyone: those who use credit cards, and those who provide those cards; those who take loans, and those who make them; those who buy cars, and those who sell them. All of those

⁴⁹ Diane Katz. "Consumer Financial Protection Bureau: Limiting Americans' Credit Choices," The Heritage Foundation, April 28, 201, <http://www.heritage.org/government-regulation/report/consumer-financial-protecti-on-bureau-limiting-americans-credit-choices>.

⁵⁰ Financial CHOICE Act of 2017, H.R. 10, 115th Cong. (2017).

people are part of what makes this country great.”⁵¹ Mulvaney was implying that corporations are people too that enjoy some of the same rights as individuals. This shift is incredibly dangerous because as Sheldon Wolin argues, the officers of these corporations then are “able to acquire immunity denied to ordinary citizens.”⁵² Put another way, the acting director is suggesting that the CFPB is required to treat companies and consumers equally, even those who have been accused of unfair and deceptive business practices that have wreaked havoc on the financial lives of everyday Americans.

In early February, Mulvaney circulated a draft for a new mission statement and staffers noted with alarm that it initially did not specifically mention protecting consumers.⁵³ When Richard Cordray led the federal agency, its mission statement read, “The Consumer Financial Protection Bureau is a 21st-century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.”⁵⁴ The statement now reads, “The Consumer Financial Protection Bureau is a 21st-century agency that helps consumer finance markets work by regularly identifying and addressing outdated, unnecessary, or unduly burdensome regulations, by making rules more effective, by consistently enforcing federal consumer financial law, and by empowering consumers to take more control over their economic

⁵¹ Caroline Basile, “Leaked Mulvaney Memo: CFPB Must End Regulation By Enforcement,” *Housing Wire*, January 23, 2018, <https://www.housingwire.com/articles/42357-mulvaney-memo-cfpb-to-end-regulation-by-enforcement>.

⁵² Sheldon Wolin, “Fugitive Democracy” *Constellations* 1, no.1 (December 1994): 110, <https://doi.org/10.1111/j.1467-8675.1994.tb00002.x>.

⁵³ Jesse Eisinger, “The CFPB’s Declaration of Dependence,” *ProPublica*, February 05, 2018, https://www.propublica.org/article/consumer-financial-protection-bureau-declaration-of-dependence?utm_content=buffer62b&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer.

⁵⁴ Gillian B. White, “Mick Mulvaney Is Quickly Deregulating the Financial Industry,” *The Atlantic*, January 05, 2018, <https://www.theatlantic.com/business/archive/2018/01/cfpb-gop-trump/549755/>.

lives.”⁵⁵ Apparent in the original statement, the CFPB would be a counterweight to the financial services industry and for the agency to primarily defend the rights of consumers. The Trump administration has reimagined the agency so that the financial services industry has an equal, if not larger, voice in the agency's actions and a key mission is now deregulation.

At the CFPB, democracy is quickly being replaced by plutocracy, rule by and for the rich, with little regard for transparency.⁵⁶ When the CFPB dropped an investigation of World Finance, a subprime lender, it was later revealed that the company had donated to Mulvaney when he was a South Carolina congressman. In another instance in mid-January, the CFPB suddenly withdrew a case against four payday lenders.⁵⁷ The Bureau initially insisted the decision was made by staff attorneys, but then later confirmed to NPR that Mulvaney, who has accepted significant financial contributions from the payday lender industry, was directly involved.⁵⁸ According to a high ranking official within the Bureau, the decision was made despite the objections of staff members. The official explained that because state regulators are often outmaneuvered by the wealthy high-cost lenders, they need the CFPB's assistance. The official noted the Bureau had spent the last four years coordinating with the states in developing this legal action. With no warning, Mulvaney's team ordered the Bureau to dismiss the case.⁵⁹ Following the money uncovers the true reasons why the acting CFPB director has made these seemingly absurd policy

⁵⁵ Ibid.

⁵⁶ Brown, "Undoing Democracy," 17.

⁵⁷ Steve Vockrodt, "CFPB drops Kansas payday lending case, stoking fears Trump is backing off the industry." January 19, 2018, *The Kansas City Star*, <http://www.kansascity.com/news/politics-government/article195623824.html>.

⁵⁸ Chris Arnold, "Trump Administration Plans To Defang Consumer Protection Watchdog," *National Public Radio*, February 12, 2018, <https://www.npr.org/2018/02/12/584980698/trump-administration-to-defang-consumer-protection-watchdog>.

⁵⁹ White, "Mulvaney Deregulating the Financial Industry."

decisions. By following the money, it's highly likely that Mick Mulvaney dropped these investigations because he has financially benefited from the predatory companies being investigated. The Trump administration is increasing the power of these giant corporations to influence law and policy for their own ends and through the process demoting the public interest.⁶⁰

Diligent reporting has found that CFPB enforcement decisions are increasingly trending in favor of financial institutions, with multiple examples that raise questions about whether leadership at the Bureau is really operating to “empower consumers.” Recently, Mulvaney ordered a survey of the financial services industry to understand the “burdens” that the CFPB’s investigative process had placed on them.⁶¹ Enforcement of sanctions against Wells Fargo for customer exploitation have slowed down, and staffers are worried they will be ordered to reduce the \$100 million penalty that Cordray approved before he left,⁶² which was the largest fine in the agency’s seven-year history.⁶³ Mulvaney also has asked enforcement lawyers to prepare for a potential settlement of a lawsuit that alleges Navient, a massive student-loan servicer, “abused

⁶⁰ Brown, “Undoing Democracy,” 43.

⁶¹ White, “Mulvaney Deregulating the Financial Industry.”

⁶² Ibid.

⁶³ Pete Schroeder, “U.S. Watchdog Settled For Small Fine Over Wells Fargo Phony Accounts: Report,” *Reuters*. September 19, 2017, <https://www.reuters.com/article/us-wells-fargo-accounts-cfpb/u-s-watchdog-settled-for-small-fine-over-wells-fargo-phony-accounts-report-idUSKCN1BU2FX>.

borrowers at every stage of repayment.”⁶⁴ An investigation into the breach at Equifax that exposed the records of 143 million people has also been stalled.⁶⁵

Not holding guilty financial services firms accountable will intensify the inequality of America, whereby middle- and low-income families will suffer more and have less promise of upward mobility.⁶⁶ These examples reveal the disturbing change in priorities that the CFPB is in the midst of. What’s even more troubling is that most of the American public is unaware of how Mulvaney’s plutocratic leadership will affect their financial futures.

The Consumer Financial Protection Bureau’s Consumer Complaint Database

The CFPB started accepting consumer complaints in July 2011, and in June 2012 they launched the Consumer Complaint Database. It’s important to note that not all of the complaints that the CFPB receives are published. The remaining complaints are referred to other regulatory agencies, such as complaints about depository institutions with less than \$10 billion in assets or complaints that do not involve a product or market that is within the Bureau’s jurisdiction. Additionally, complaints found to be incomplete or are pending with the consumer or the CFPB are not published in the database.⁶⁷

⁶⁴ “CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment,” The Consumer Financial Protection Bureau, January 18, 2017, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

⁶⁵ Patrick Rucker, “Exclusive: U.S. Consumer Protection Official Puts Equifax Probe On Ice - Sources,” *Reuters*, February 4, 2018, <https://www.reuters.com/article/us-usa-equifax-cfpb/exclusive-u-s-consumer-protection-official-puts-equifax-probe-on-ice-sources-idUSKBN1FP0IZ>.

⁶⁶ Brown, “Undoing Democracy,” 28-29.

⁶⁷ “Semi-Annual Report Spring 2017,” The Consumer Financial Protection Bureau, June 23, 2017, <https://www.consumerfinance.gov/data-research/research-reports/semi-annual-report-spring-2017/>.

In June of 2015, the CFPB added the narrative option to their consumer complaint form. The consumer complaint narrative is the consumer-submitted description of “what happened” from the complainant. The CFPB takes reasonable steps to scrub personal information from each of the complaint narratives that could be used to identify the consumer, such as removing the last two digits of the zip code associated with the complaint.

The CFPB states on its website that,

Each week we send thousands of consumers’ complaints about financial products and services to companies for response. Those complaints are published here after the company responds or after 15 days, whichever comes first...We don’t verify all the facts alleged in these complaints, but we take steps to confirm a commercial relationship between the consumer and the company.⁶⁸

The database has come under harsh criticism by Republicans and the financial services industry ever since the Bureau announced it wanted to make public the consumer complaints that it receives.⁶⁹ Banks and other lenders argue that the tool poses significant reputational risks for financial institutions because the complaints are not verified. It has been described by Mick Mulvaney as “the Yelp for financial services”⁷⁰: customer grievances are publicly posted and there’s little the company can do about taking the complaint down.⁷¹ However, this is an inaccurate analogy because the database is moderated by a government agency that doesn’t have any business or financial incentives. Additionally, the Bureau’s policy is that if the “company

⁶⁸ “Consumer Complaint Database: About The Data,” The Consumer Financial Protection Bureau, accessed February 17th, 2018, <https://www.consumerfinance.gov/data-research/consumer-complaints/>.

⁶⁹ Swanson, “Say Goodbye To The CFPB Consumer Complaint Database.”

⁷⁰ In an April speech to the American Bankers Association, Mulvaney said, “I don’t see anything in here that I have to run a Yelp for financial services sponsored by the federal government.”

⁷¹ Renae Merie, “Mick Mulvaney Does Not Want You To See Complaints Against Banks That Bankrolled His Campaigns, Report Says,” *The Washington Post*, May 8, 2018, https://www.washingtonpost.com/news/wonk/wp/2018/05/08/mick-mulvaney-does-not-want-you-to-see-complaints-against-banks-that-bankrolled-his-campaigns-report-says/?utm_term=.846bb8c0e6d4.

provides feedback that they are unable to verify the commercial relationship with the consumer who filed the complaint, the complaint will not be published.”⁷²

Donald Trump and Mick Mulvaney has been acutely aware of the fact that the data collected from the CFPB Consumer Complaint database has empowered local litigators to go after the financial services industry, leading to sanctions, fines and increased regulations. The Center for Responsive Politics notes that the financial sector is the top industry that donated to Trump’s 2016 presidential election campaign, a whopping \$37,873,136 to be exact.⁷³ Additionally, a recent report by Public Citizen found, “that eight of the 10 companies subject to the most consumer complaints about their banking practices contributed to Mulvaney’s political campaigns.”⁷⁴ These revelations seem to be directly correlated to another discovery made by the Associated Press (AP) through a Freedom of Information request. Ken Sweet of USA Today reports that AP’s review of the database indicates that in the first 135 days since the Trump administration took control of the Bureau, “there was not a single enforcement action recorded against banks, credit card companies, debt collectors or any finance companies whatsoever” (See Fig. 1).⁷⁵

⁷² “Disclosure Of Consumer Complaint Data,” The Consumer Financial Protection Bureau, March 25, 2015, 15, https://files.consumerfinance.gov/f/201303_cfpb_Final-Policy-Statement-Disclosure-of-Consumer-Complaint-Data.pdf

⁷³ “Top Industries, Federal Election Data For Donald Trump, 2016 Cycle,” The Center For Responsive Politics, accessed April 24th, 2018, <https://www.opensecrets.org/pres16/industries?id=N00023864>.

⁷⁴ Merie, “Mick Mulvaney Does Not Want You To See Complaints.”

⁷⁵ Ken Sweet, “Under Trump and Mulvaney, CFPB Has Filed No Enforcement Actions Since November,” *USA Today*, April 10, 2018, <https://www.usatoday.com/story/money/economy/2018/04/10/under-trump-mulvaney-cfpb-has-filed-no-enforcement-actions/502451002/>.

Enforcement actions plummet in 2018

The Consumer Financial Protection Bureau has filed zero enforcement actions since Nov. 21, 2017.

Enforcement actions by quarter:

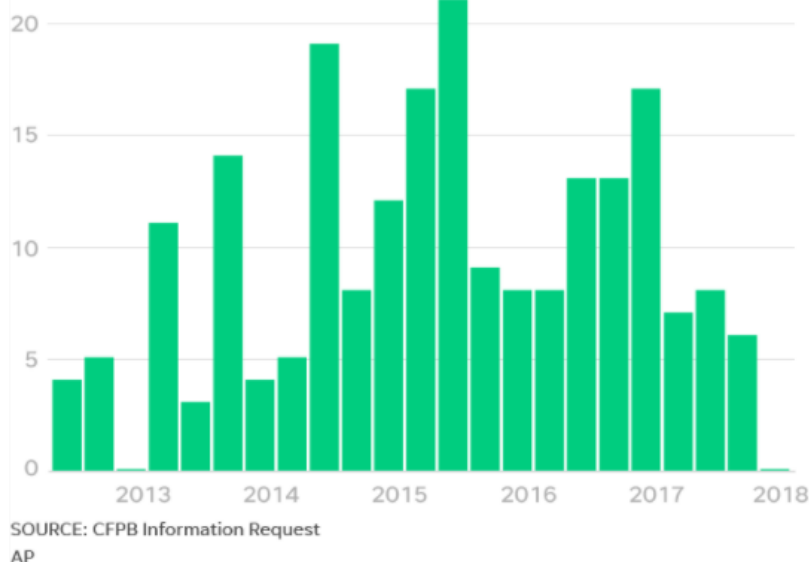


Fig. 1. CFPB enforcement actions by quarter from 2013-2018, *The Associated Press*⁷⁶

There have been a number of assaults on the CFPB Consumer Complaint Database. Last year in February 2017, House Financial Services Committee Chairman Rep. Jeb Hensarling, R-Texas, unveiled plans to scrap the consumer complaint database under the Financial CHOICE Act, with no mention of a possible replacement.⁷⁷ As mentioned earlier, Mulvaney recently invited comments on the “usefulness” of the database in order to “provide an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities.”⁷⁸⁷⁹ Jacob Dumez of the OFE emphasized that Mulvaney is opening up for

⁷⁶ Ibid.

⁷⁷ Swanson, “Say Goodbye To The CFPB Consumer Complaint Database.”

⁷⁸ Ben Lane, “CFPB Invites Comments on ‘Usefulness’ of Consumer Complaint Database, Reports,” *Housing Wire*, March 1, 2018, <https://www.housingwire.com/articles/42653-cfpb-invites-comments-on-usefulness-of-consumer-complaint-database-reports/>.

comment all aspects of the CFPB, which has overwhelmed consumer advocacy groups. He said, “There’s too many of them (aspects of the CFPB that have been opened for comment) and a lot of them are highly technical. And they aren’t just requests for comment but requests for information. I think that that’s going to be challenging, quite frankly just to do the work that’s required to do that.” He said that the Cities for Financial Empowerment coalition (that OFE is apart of) is leaning towards writing one letter that reasserts the importance of the CFPB, some of the ways it’s helpful to cities in particular, and also calls out different functions that need to be protected and preserved. The plan is to try and submit this one letter to as many of these comments that seem reasonable.⁸⁰

The CFPB’s request for information appears to be scaled in favor of the financial service industry. For example, questions the CFPB is interested in include whether it is “net beneficial or net harmful” to the “transparent and efficient operation of markets for consumer financial products and services” for the CFPB to publicize the names of the most complained about companies.⁸¹ The CFPB is also interested in whether it should notify the most complained about companies of their inclusion in a CFPB report prior to that report being published to allow them to comment if they so choose. The federal agency also wants to know if it should “expand, limit, or maintain” the same level of access to complaint information that is currently available to external stakeholders such as financial institutions and the public.⁸² All of these questions, if

⁷⁹ “Request for Information Regarding Bureau Public Reporting Practices of Consumer Complaint Information,” The Consumer Financial Protection Bureau, March 1, 2018, https://files.consumerfinance.gov/f/documents/cfpb_rfi_complaint-reporting_032018.pdf.

⁸⁰ Jacob Dumez, interview with author, March 27th, 2018.

⁸¹ Lane, “CFPB Invites Comments on Database.”

⁸² Ibid.

answered as the leading nature of the questions seem to suggest, would disempower consumers by constricting or denying them the ability to make claims against companies.⁸³

Jacob Dumez said,

It's not that he (Mulvaney) actually needs information to make a decision. He just has to do this as part of the process ...It's sad because it's going to probably drive a little less participation from progressive groups. But to spin our wheels on something when even if millions and millions of letters come in from all over the country saying the CFPB is great and defend it... he could easily turn the data around and just look at the industry side and cherry pick what he takes a look at.⁸⁴

The CFPB started accepting comments in early March of 2018 and the comment period will remain open for 90 days and close on June 4, 2018.⁸⁵

The CFPB Consumer Complaint is an extremely valuable public good that has a wide range of benefits. The tool has helped to enable the Bureau to recover \$12 billion in relief for nearly 30 million consumers and identified bad actors of the financial services industry. When consumers file a complaint with the CFPB they can expect to receive a timely response from the company. This has helped to build trust in the government agency, because consumers can count on getting the help they need.⁸⁶ The tool also has provided consumer education about financial products and services and allowed policymakers to track trends that inform better policy and regulations. Complaints made to the database have also allowed the CFPB to develop reports that are shared with states, localities, various government agencies, consumer advocates and other stakeholders.⁸⁷ Finally, supporters of the database also have argued that companies can use the database to enhance customer service and detect issues in the industry. In an interview with CNN

⁸³ Lane, "CFPB Invites Comments on Database."

⁸⁴ Jacob Dumez, interview with author, March 27, 2018.

⁸⁵ The Consumer Financial Protection Bureau, "Request for Information."

⁸⁶ Brown, "Undoing Democracy," 42.

⁸⁷ However, it should be noted that Mulvaney has halted these monthly reports.

Money, Ruth Susswein, deputy director of national priorities for Consumer Action, stated, "imagine if the database was available before the great recession and foreclosure crisis. A lot less damage would have been done."⁸⁸

Some might ask why use this database as opposed to other consumer complaint channels? It's important to acknowledge that there are multiple existing channels, including Consumer Action, the District Attorney's office, the CFPB consumer complaint database, CFPB government portal and the FTC Sentinel. However, only law enforcement bodies have access to the FTC Sentinel and the CFPB Government Portal. Since the OFE is not a law enforcement agency, they have experienced barriers to accessing such data. Additionally, due to privacy and data sharing concerns, the district attorney's office has not been open to sharing their access to these portals. Consumer Action tracks more on a state level and doesn't have enough complaints from specifically San Francisco to be useful for this research.

Quantitative Data Analysis From The CFPB's Consumer Complaint Database

This research is based on the publicly available data that was downloaded on March 2nd, 2018. As of March 1st, the Consumer Financial Protection Bureau's Consumer Complaint Database had collected a total of 978,213 complaints since it began publicizing the complaints on December 1st, 2011.⁸⁹ Californians had 137,701 complaints published, and 3,390 of those complaints have been submitted by San Francisco residents.⁹⁰

⁸⁸ Kathryn Vasel, "The CFPB's Giant Database Of Consumer Complaints," CNN Money, November 27, 2017, <http://money.cnn.com/2017/11/27/pf/cfpb-database-complaints/index.html>.

⁸⁹ The Consumer Financial Protection Bureau, "Disclosure Of Consumer Complaint Data."

⁹⁰ San Francisco zip codes defined by the United States Postal Service and 941XXX complaints

At the onset of my research I had three major hypotheses. First, I was confident that San Francisco's product complaints would differ, at least slightly, from the product complaints at a national level. This seemed obvious given that the United States includes a vast number of regions that have their own unique conditions and challenges. Second, I believed my findings would show that a majority of complaints would be submitted about products that are typically used by consumers from the middle to lower-income brackets. This postulate was based on research that shows a correlation that the poorer you are the more issues you tend to have with financial products and services because they typically come with higher fees and more complex terms.⁹¹ Lastly, I assumed that most of the complaints would be concentrated in a few areas of the city, especially in areas with higher poverty rates or with a higher population density. Based on these three hypotheses, I analyzed the data by a range of factors to provide a broader understanding of the challenges San Franciscans have had with financial products and services over the past seven years.

The CFPB first started publishing complaints submitted in 2011. The first year San Francisco residents submitted a mere 14 complaints. In 2012, complaints skyrocketed to 255 and climbed to 374 in 2013. By the end of 2015, there were 574 complaints submitted, and in 2016 complaints increased to 697. In 2017, the CFPB received 920 complaints. As of March 1st, 2018, the CFPB had already received 108 complaints from San Francisco residents. This yearly comparison indicates that complaints have grown each year since the Consumer Complaint Database became available to consumers (See Fig. 2). This demonstrates that the database is a resource that consumers have increasingly used to seek help. The growth in complaints might

⁹¹ Klein, "America's Poor Subsidize Wealthier Consumers."

also be explained by an increasing consumer awareness of the database, especially given that the CFPB is a relatively young agency.

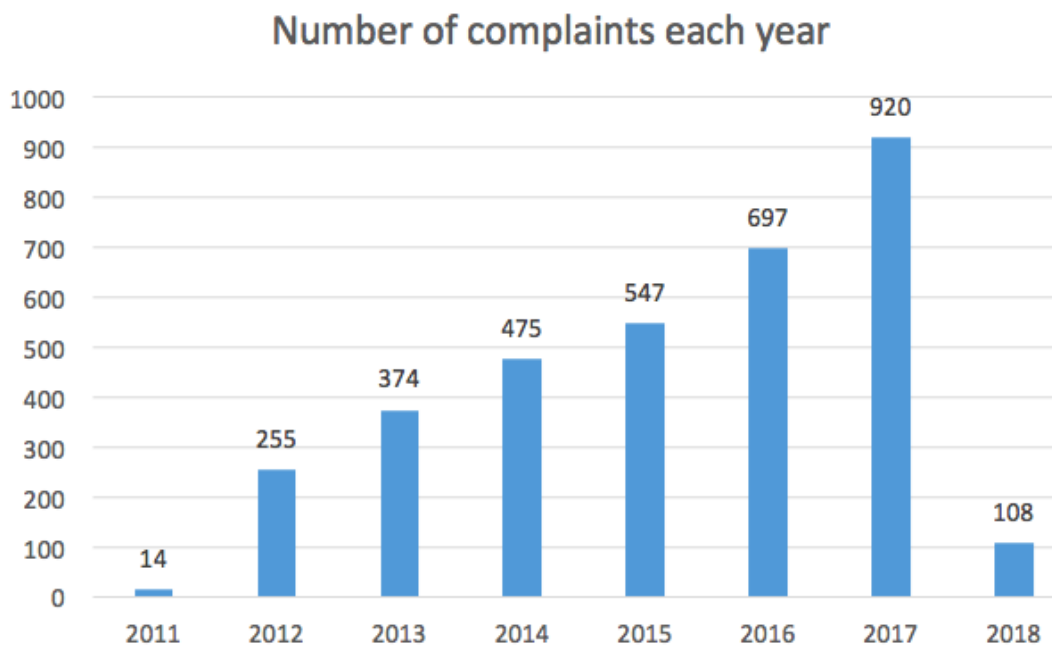


Fig. 2. The number of published complaints submitted by San Francisco residents to the CFPB organized by year

The broad range of complaints about financial products and services speaks to the diversity of the consumers themselves (see Fig. 3). Different types of consumers use different types of financial services and products. Although the database doesn't collect information on the consumer's race or income, we can nonetheless make certain inferences about who the consumer might be, as demonstrated with a few examples. For instance, a mortgage complaint would come from someone who is a homeowner, who, according to Prosperity Now's 2017

Scorecard, makes up 36% of the San Francisco population.⁹² A debt collection complaint would come from someone who is behind on bill payments and is likely struggling financially.

Someone complaining about a payday loan is underbanked, meaning that they might have a bank account but use other alternative high-cost services to meet their financial needs. The same Prosperity Now report found that 16.9% of San Franciscans are currently underbanked.⁹³

Complaints about money transfers or virtual currency include remittances, a service that is used by immigrants who send money back to their home country.

San Francisco's top product complaints by category were "credit reporting, credit repair services, or other personal consumer reports" (22%), "mortgage" (20%) and "credit card or prepaid card" (18%). Most of the consumer advocates and direct service providers I interviewed were surprised that payday loans were not ranked higher. Mohan Kanungo, Director of Programs and Engagement at Mission Asset Fund, suggested that this might be due to the fact that the payday lending industry is highly regulated in San Francisco.⁹⁴ In May 2008, the city worked with the Planning department to pass the "Fringe Financial Service Restricted Use District (Municipal Code section 249.35)," which prohibits new or relocating check cashers and payday lenders from six special districts, and prohibits them from within a ¼ mile of an existing fringe financial service. Ernesto Martinez of Mission Economic Development Agency (MEDA) reacted to the data findings by saying that he thought payday lending, check cashing and money transfers seemed underrepresented from this data set.⁹⁵ It's highly likely that lower-income, non-English

⁹² "Local Outcome Report: San Francisco County, CA Prosperity Now Scorecard 2017," Prosperity Now, February 2018, <https://scorecard.prosperitynow.org/data-by-location#county/6075>.

⁹³ Prosperity Now, "San Francisco County, CA Prosperity Now Scorecard 2017."

⁹⁴ Mohan Kanungo, interview with author, March 9th, 2018.

⁹⁵ Ernesto Martinez, interview with author, April 20th, 2018.

speakers are less likely to submit a complaint to the CFPB, issues that will be explained later in the limitations section.

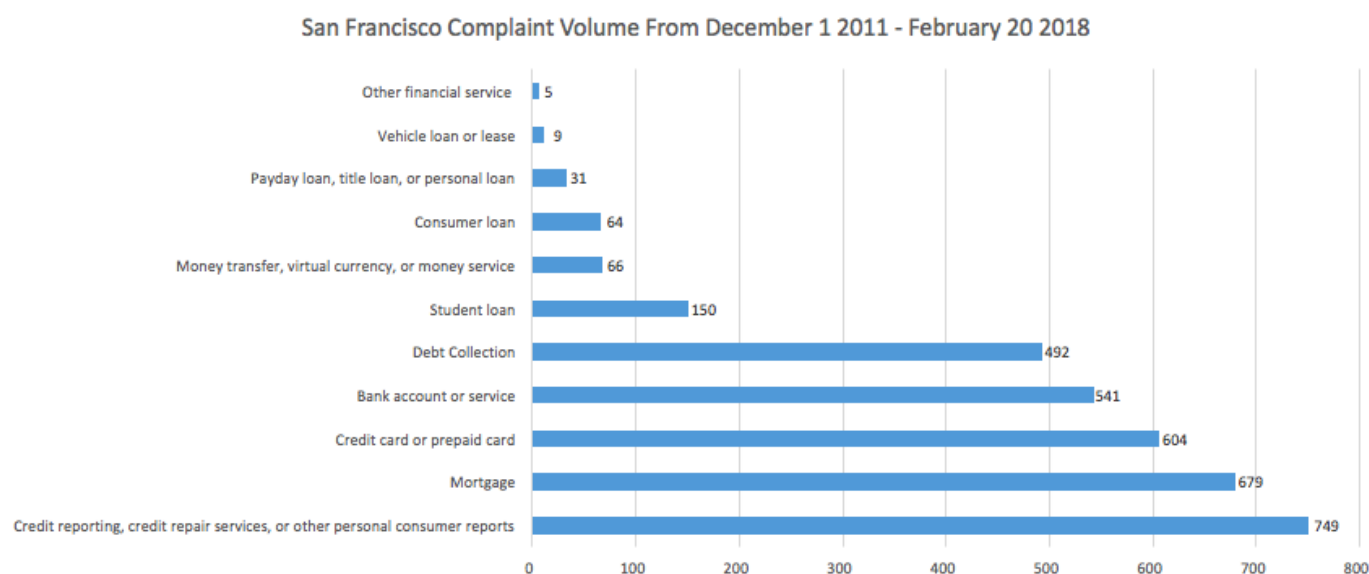


Fig. 3. The number of published complaints submitted by San Francisco residents to the CFPB organized by year

Notice how San Francisco’s overall volume of product complaints compare to the CFPB’s overall volume of product complaints (see Fig. 4). Debt collection, mortgage and credit or consumer reporting complaints are the most-complained-about consumer financial product and services overall in America.⁹⁶ However, in San Francisco, credit reporting, credit repair services or other personal consumer reports, mortgages, and credit card or prepaid card services were the most-complained about consumer financial services and products.⁹⁷ Debt collection is ranked as the fifth product complaint in the city. This highlights the importance of understanding the

⁹⁶ “2017 Consumer Response Annual Report,” The Consumer Financial Protection Bureau, March 2018, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_consumer-response-annual-report_2017.pdf

⁹⁷ See the appendix for the methodology for how I categorized product complaints, which differ slightly from some of the CFPB’s reports.

unique financial challenges in San Francisco, which do not completely reflect the overall product complaints at a national level. Given this reality, it's important that city policymakers are aware of these differences so they can create policy and programs that address the distinct issues local residents are having with financial services and products. Additionally, if city policymakers are unaware of these nuances, they could be developing policies and prioritizing programs that actually don't address the specific needs of San Franciscans.

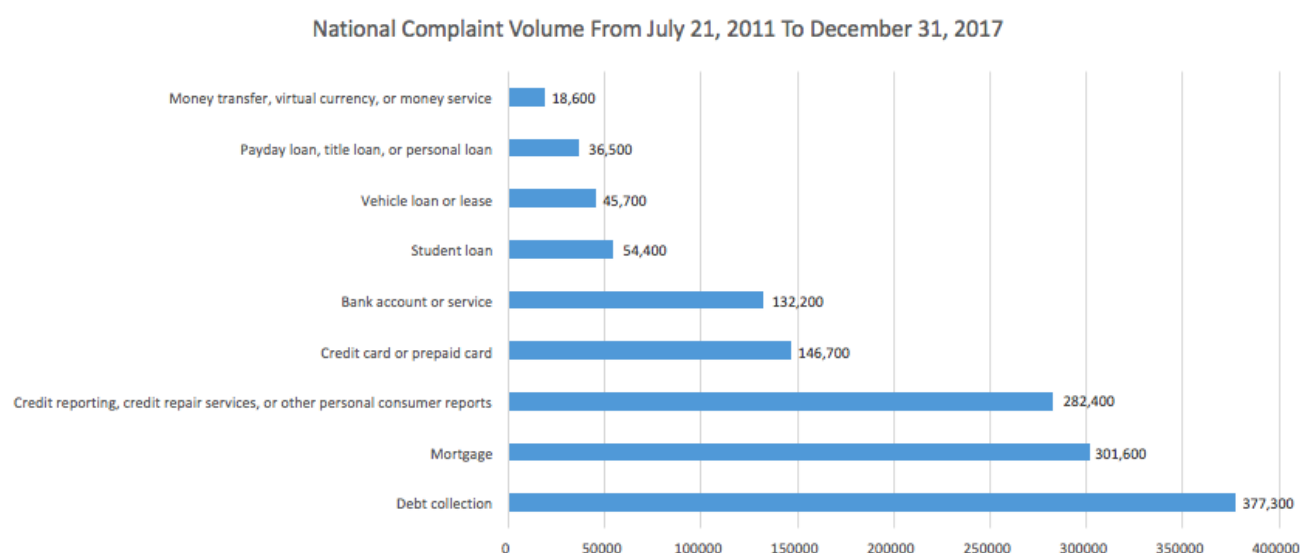


Fig. 4. The total number of complaints submitted to the CFPB organized by product⁹⁸

Analysis of the product complaints year over year captures how San Franciscans' consumer issues have changed over time (see Figures 6 -13). When the CFPB began accepting

⁹⁸ The Consumer Financial Protection Bureau, "2017 Consumer Response Annual Report." According to the report, "debt collection, mortgage, and credit or consumer reporting complaints are the most-complained-about consumer financial products and services. Complaints submitted to the Bureau about these products and services account for approximately 960,000 (68%) of the approximately 1,404,300 complaints received since inception." This number reflects the total number complaints *handled* by the CFPB, not the total number of complaints *published* by the CFPB.

consumer complaints it was only focused on credit card issues. Over time the Bureau has expanded its complaint categories (see Fig. 5). This analysis is helpful in the context of considering specific periods of time when there has been a financial product that has affected a large number of Americans. For example, following the 2008 financial crisis, mortgage products comprised a large fraction of the overall complaints. The first few years the CFPB began publicizing complaints and then shifted to credit reporting services, especially after the Equifax data breach in 2017. As the data analysis of product complaints year over year demonstrates, complaints about particular financial products and services change over time.

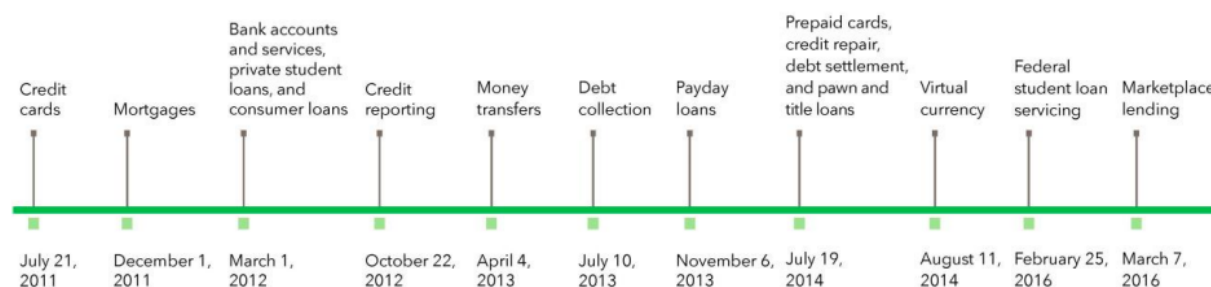


Fig. 5. Types of complaints accepted by the Bureau over time ⁹⁹

⁹⁹ The Consumer Financial Protection Bureau, “2017 Consumer Response Annual Report.”

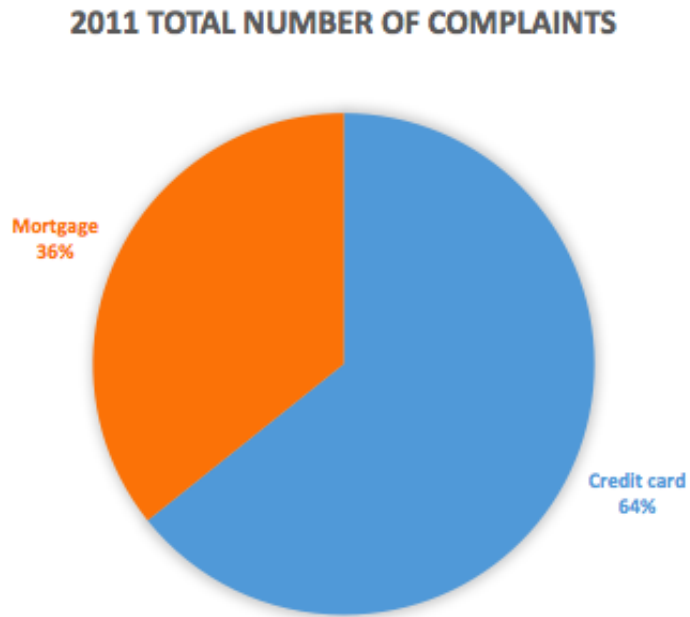


Fig 6. San Francisco's 2011 complaints organized by product

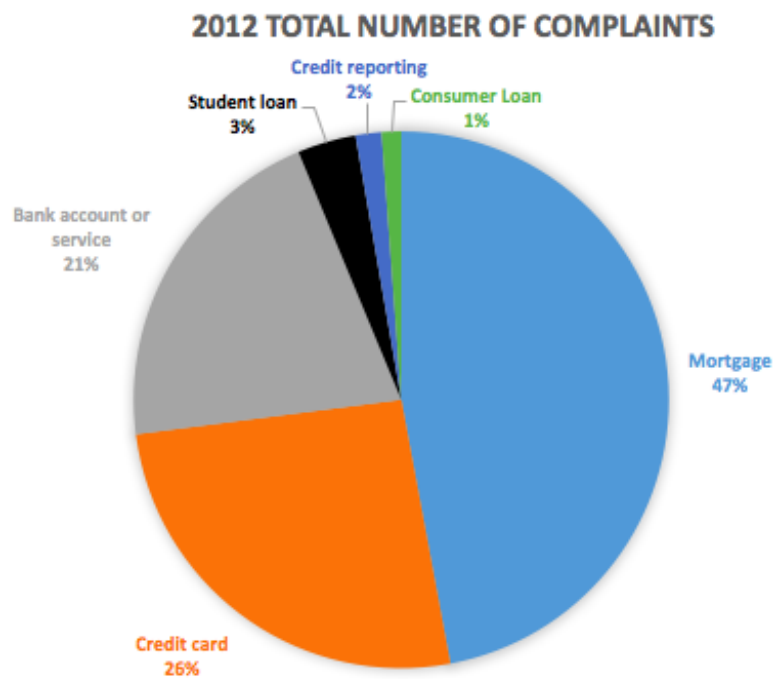


Fig 7. San Francisco's 2012 complaints organized by product

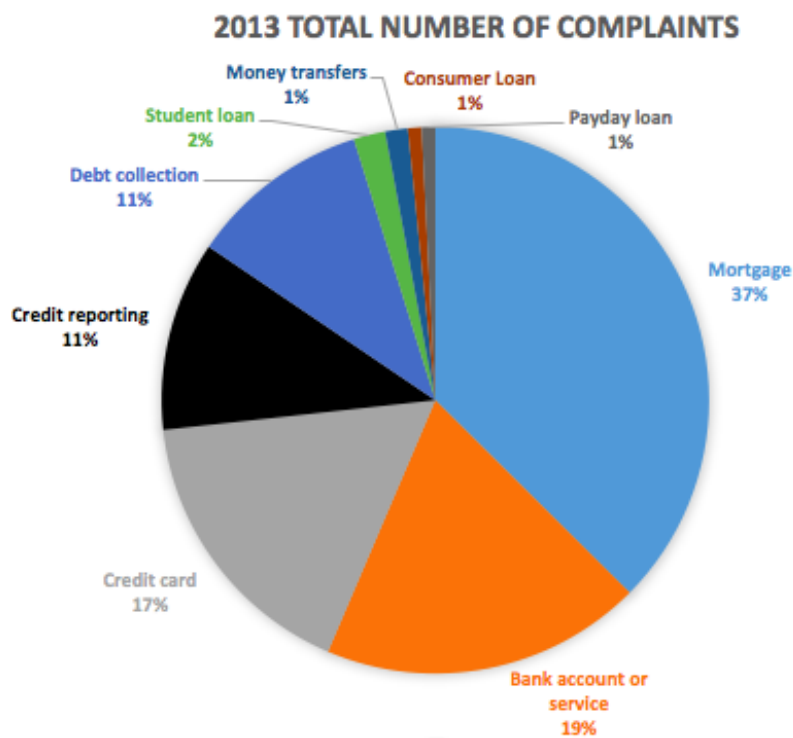


Fig. 8. San Francisco's 2013 complaints organized by product

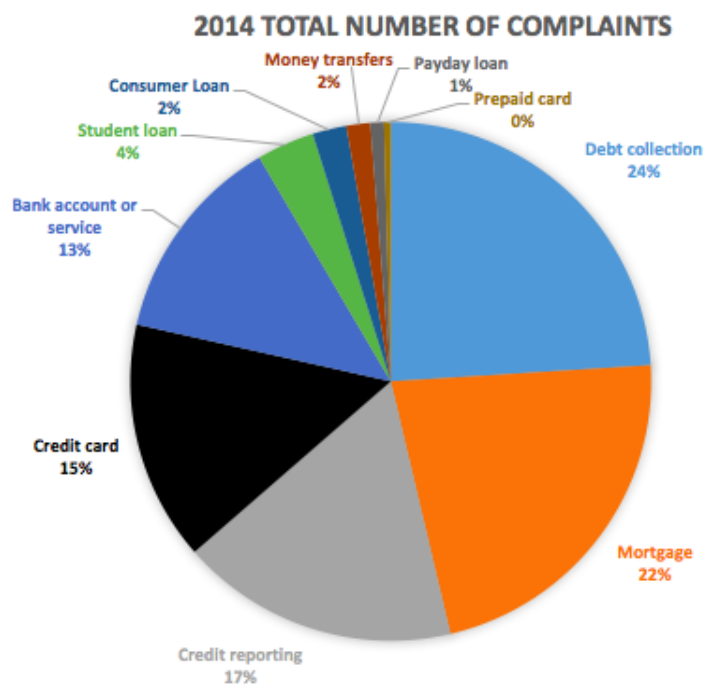


Fig 9. San Francisco's 2014 complaints organized by product

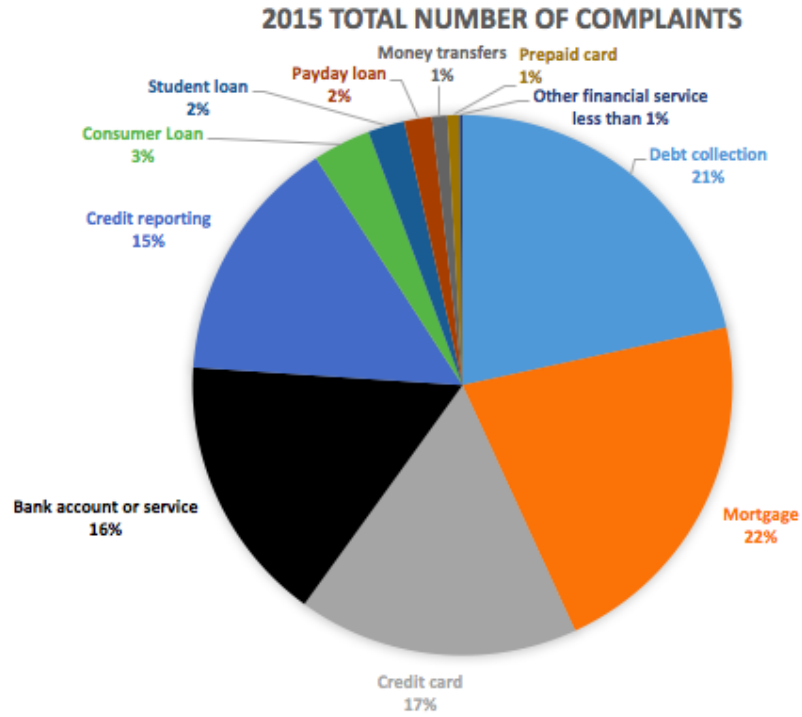


Fig 10. San Francisco's 2015 complaints organized by product

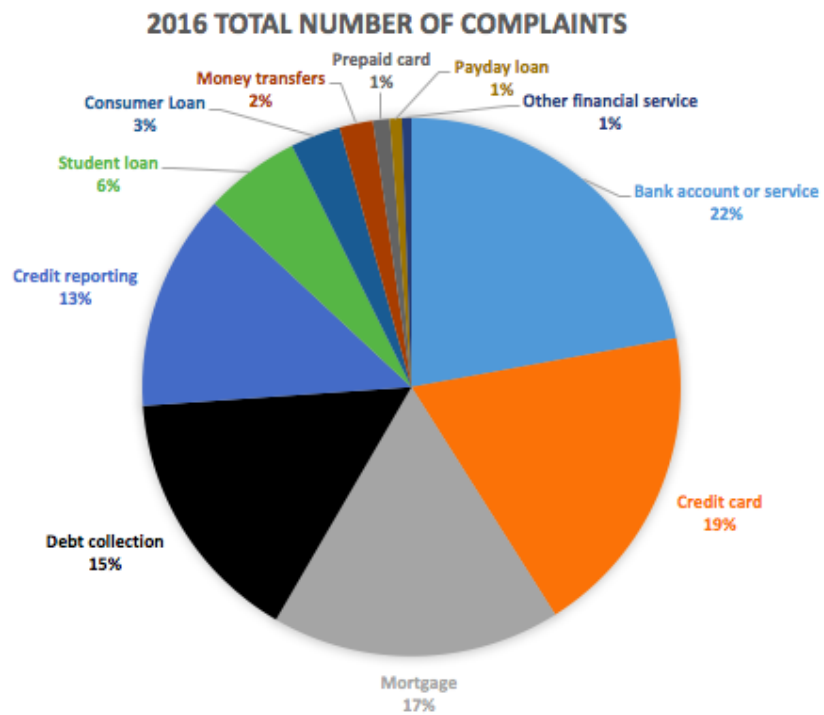


Fig. 11. San Francisco's 2016 complaints organized by product

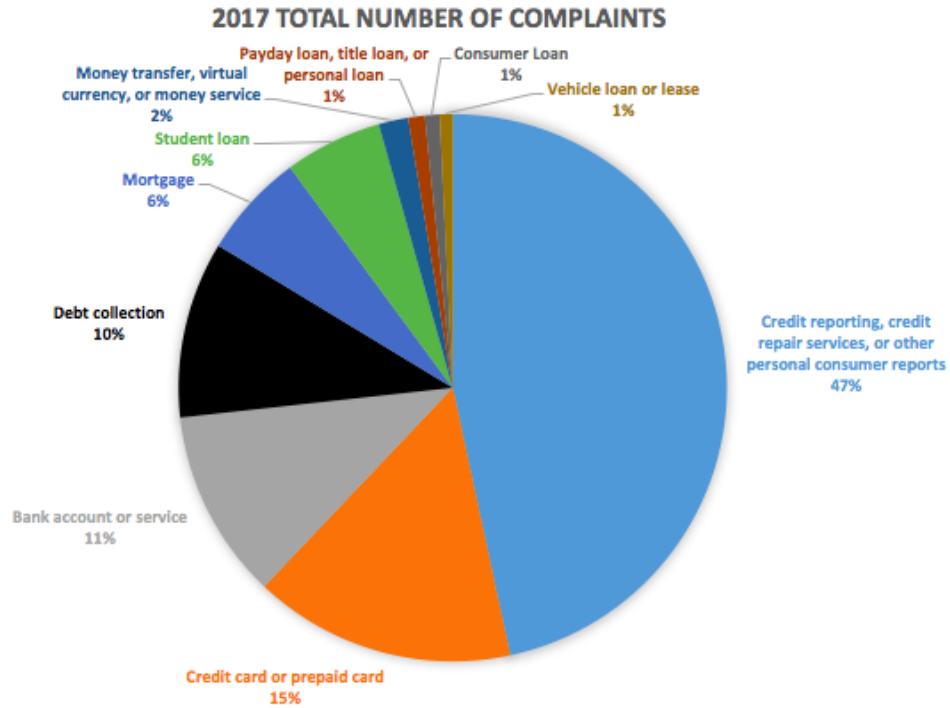


Fig. 12. San Francisco's 2017 complaints organized by product

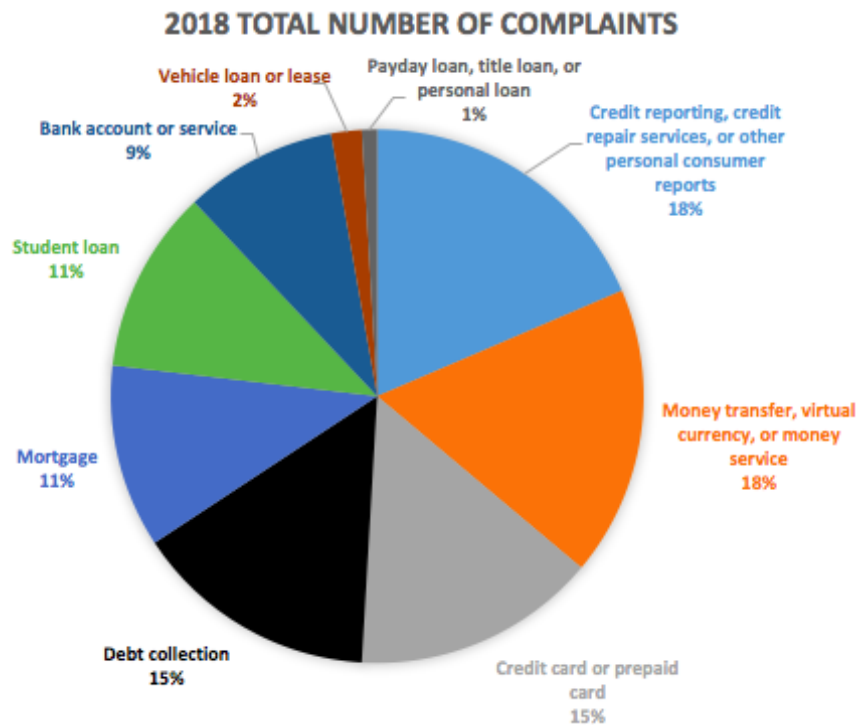


Fig 13. San Francisco's 2018 complaints organized by product

There were a total of 362 companies cited in the 3,390 complaints that San Francisco residents submitted to the CFPB. The top six companies collectively made up 55% of all of the complaints (see Fig. 14). Although this number sounds large, it's important to understand that the two big banks claim a significant portion of the market share. Given that Wells Fargo generated 10% of the overall complaints, it's reassuring to know that San Francisco took actions against the bank in late 2016 after it was revealed the company was involved in predatory and deceptive sales practices. Additionally, it's interesting to observe that three of the top six companies are in the business of credit reporting, a consumer issue that has garnered more attention recently after the Equifax data breach last year. This suggests that consumers are having a significant amount of trouble with products and services related to credit reporting. Deborah Jackson of the San Francisco Housing Development Corporation, an organization that fosters financial stability through the development of affordable housing in neighborhoods of Southeast San Francisco, said that a majority of their clients come in need of education in credit management, such as credit building and credit repair. She stated this information is especially crucial for marginalized populations of San Francisco who often don't know that their credit report can affect not only their purchasing power but also job opportunities and housing services.¹⁰⁰

¹⁰⁰ Deborah Jackson, interview with author, March 22nd, 2018.

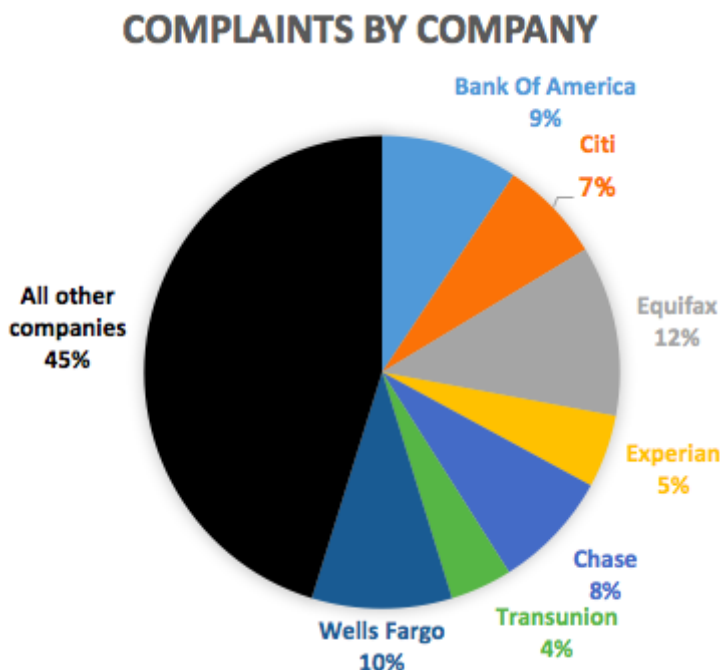


Fig 14. San Francisco's complaints organized by company

Almost 70% of the public complaints were associated with a specific San Francisco area of the city (see Fig. 15). The top five neighborhoods that submitted complaints to the CFPB were Nob Hill (189), Inner Mission / Bernal Heights (165), South of Market / Downtown / Civic Center (152), Ingleside-Excelsior / Crocker-Amazon (145) and North Beach / Chinatown (145). A majority of the 22 neighborhoods had roughly the same amount of complaints: the median of the data set was 109.5 complaints and the average was 106.9. This shows that problems with the financial services industry are widespread and not concentrated in certain areas of the city.

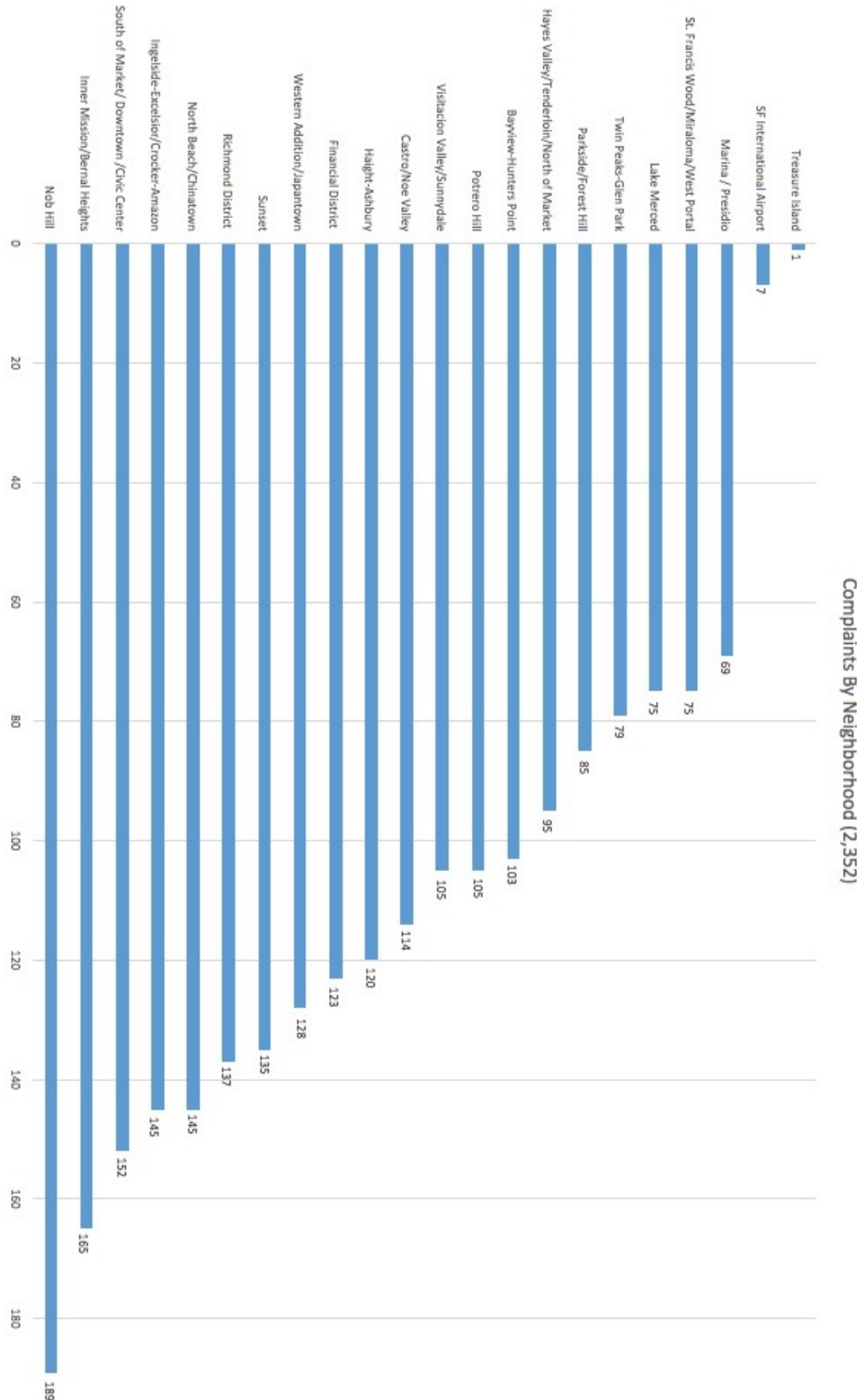


Fig. 15. San Francisco's complaints organized by neighborhood

Predatory financial practices disproportionately affect low-income populations, which is why I had hypothesized that more complaints would be from areas in the city with higher levels of poverty. However, the data findings demonstrate that issues involving financial products and services impact everyone living in the city: the rich, the middle class, and the poor (see Fig. 16). For example, the Castro/Noe Valley area, which is one of San Francisco's wealthier neighborhoods, has about the same number of complaints as the Bayview-Hunters Point, an area that suffers from poverty. There are a number of reasons that might help explain the finding.

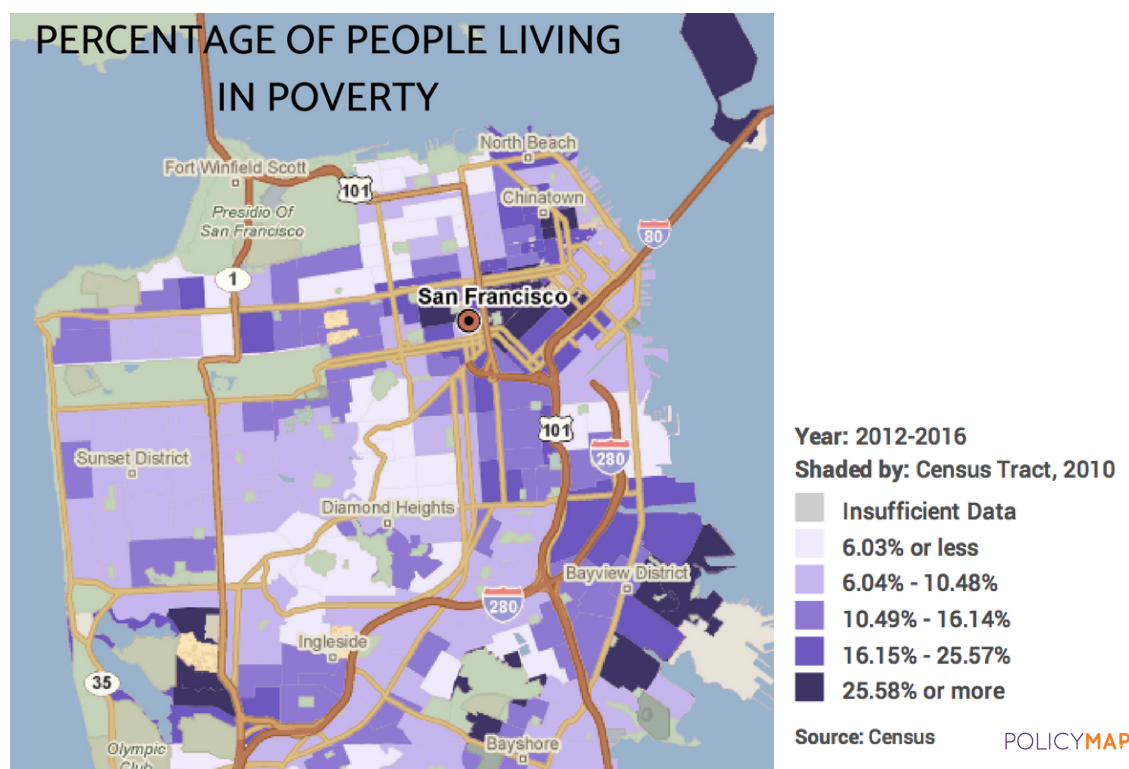


Fig. 16. Percentage of San Franciscans living in poverty, *Policy Map*¹⁰¹

¹⁰¹ “Estimated Percentage Of All People That Are Living In Poverty As Of 2012-2016,” Policy Map (based on Census: Decennial Census and American Community Survey), accessed April 2nd, 2018. <https://0-usfca-policymap-com.ignacio.usfca.edu/maps?p=150636&i=9871807&btd=6&period=2012-2016&cx=-12.4362745725921&cy=37.76112771319016&cz=10&iwx=37.7682&iwy=-122.4448&iwtype=place&iwtabs=0>.

The wealthier a consumer, the more encounters they will have with the financial services industry. The financial services industry caters their business model to people who have more financial assets and need resources to help manage those assets. Wealthier consumers also tend to have higher levels of education, and are more likely to have the personal efficacy to complain and are aware that the CFPB will get you a guaranteed response from the company with whom you are having an issue. Another reason that might explain this finding is that the wealthier the consumer, the more likely it is that they have a computer to access the CFPB Consumer Complaint Database to submit a complaint.

In areas that have higher rates of poverty, the presence of consumer advocates and direct service providers might be assisting low-income consumers in submitting their complaints. For example, Mohan Kanungo says that Mission Asset Fund, which is located in the Mission District but serves people across the entire city, has helped clients file complaints to the CFPB if they were interested in doing so.¹⁰² Additionally, the Office of Financial Empowerment Smart Money Coaching has 18 sites across the city that work in partnerships with the Human Services Agency, the Mayor's Office of Housing and Community Development, HOPE SF public housing sites, and the Office of Economic and Workforce Development.¹⁰³ Advocates at these sites use many consumer education materials that were developed from the CFPB, such as the Your Money, Your Goals, and might also be helping increase awareness of the Bureau's Consumer Complaint Database.¹⁰⁴

¹⁰² Mohan Kanungo, interview with author, March 9, 2018.

¹⁰³ "San Francisco Smart Money Coaching," The San Francisco Office Of Financial Empowerment, accessed April 16th, 2018, <https://sfgov.org/ofe/san-francisco-smart-money-coaching>.

¹⁰⁴ "Your Money, Your Goals," The Consumer Financial Protection Bureau, accessed March 30, 2018, <https://www.consumerfinance.gov/practitioner-resources/your-money-your-goals/>.

Another way to contextualize this data set is to review the population density across various areas of San Francisco (see Fig. 17). Nob Hill is the most densely populated area of the city (52,796-161,528 people per square mile) so it makes sense that neighborhood has the highest number of complaints. Similarly, the next top four neighborhoods (Inner Mission/Bernal Heights, South of Market/Downtown/Civic Center, Ingleside-Excelsior/Crocker-Amazon, North Beach/Chinatown) have some of highest density in the city (31,098 - 52,795 people per square mile).

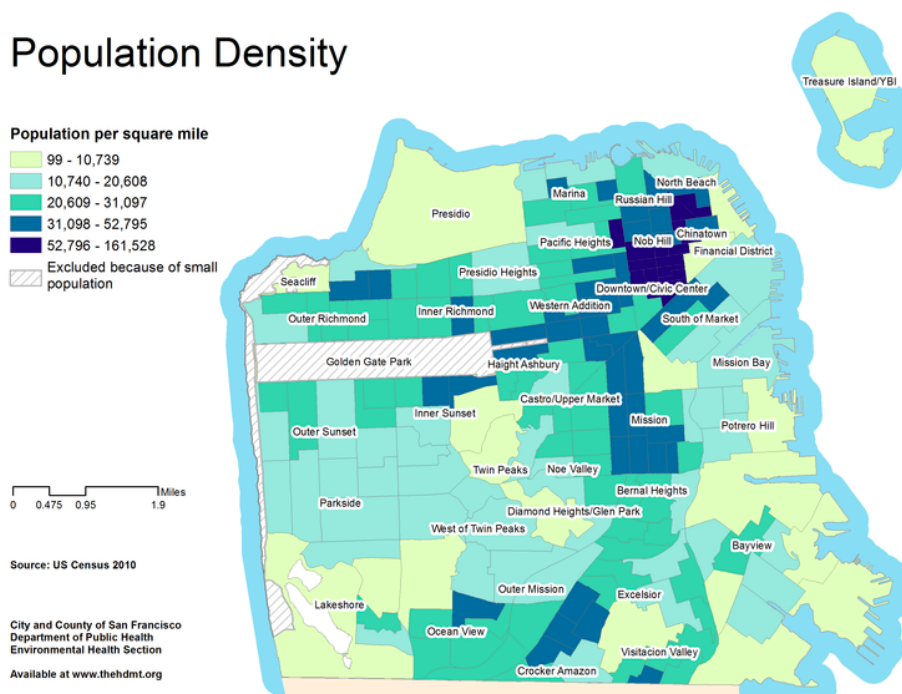


Fig. 17. San Francisco's population density, *SF Indicator Project* ¹⁰⁵

¹⁰⁵ "Population Density," SF Indicator Project, accessed April 2, 2018, http://www.sfindicatorproject.org/img/indicators/pdf/Population_Density.pdf.

Perhaps the biggest aspiration of this research is that these data findings will lead to local legislation, which is why the rest of the data is broken down by San Francisco districts (see Figures 18-29). My hope is that the district-breakdown can be used to convince city leadership, including the Mayor and the Board of Supervisors, as well as city litigators such as the District Attorney and City Attorney to take action. As the map shows, the top four San Francisco districts with the most complaints are District 3, District 10, District 5 and District 6.

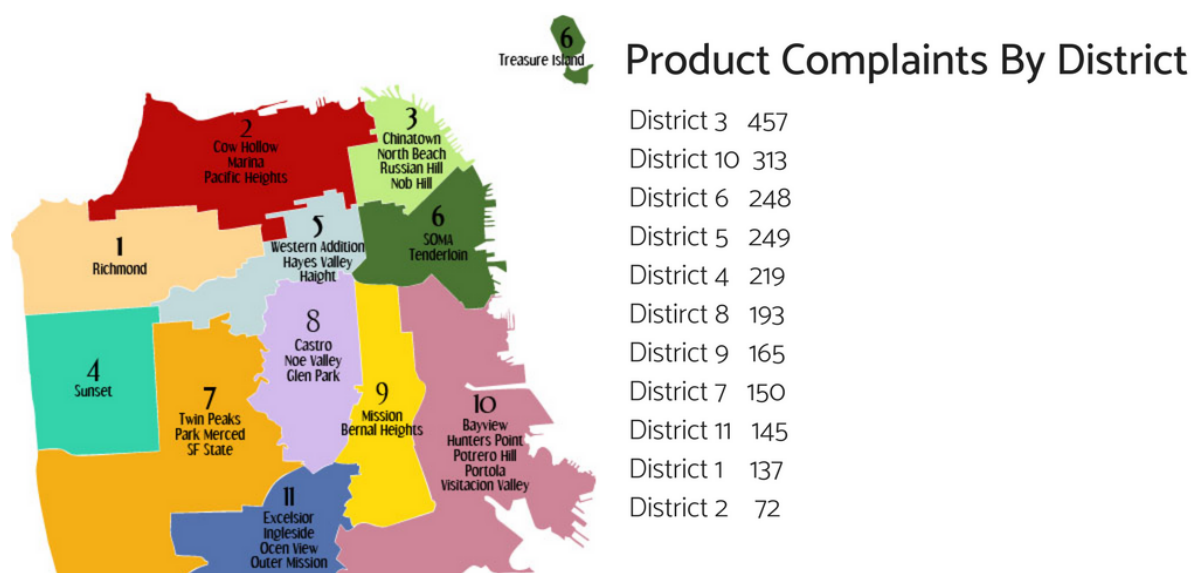


Fig. 18. San Francisco complaints organized by district ¹⁰⁶

Breaking the data down by district highlights the fact that complaints can vary by district. This finding should be used in three powerful ways. First, the information can help inform each District Supervisor of the specific issues with which their constituents struggle with. Second, the finding will help them assess the proper actions to prioritize in an effort to help their residents

¹⁰⁶ Does not include complaints associated with SF airport zip code or complaint narratives
Map taken from <http://www.sfhomeblog.com/tag/chinatown>

resolve issues with their financial products and services. This information can also help the Office of Financial Empowerment develop better curated consumer education for different areas of the city, and provide that information to their partner agencies who are involved in financial empowerment integration.¹⁰⁷

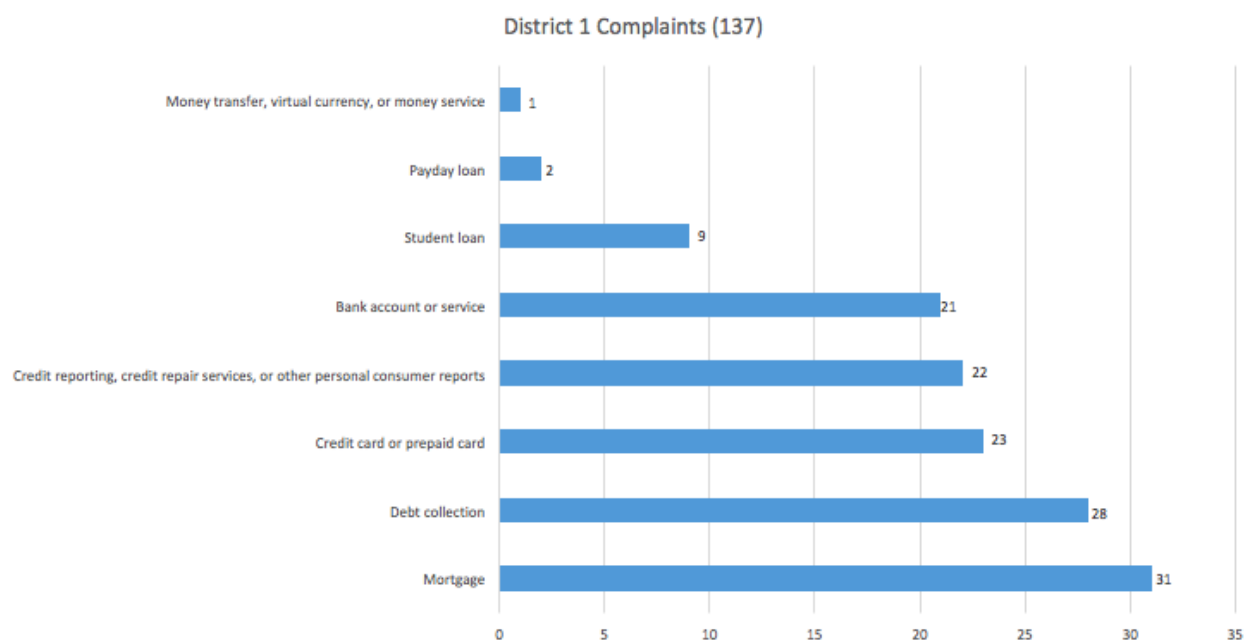


Fig. 19. San Francisco District 1 complaints, organized by product

¹⁰⁷ The San Francisco Office Of Financial Empowerment, “San Francisco Smart Money Coaching.”

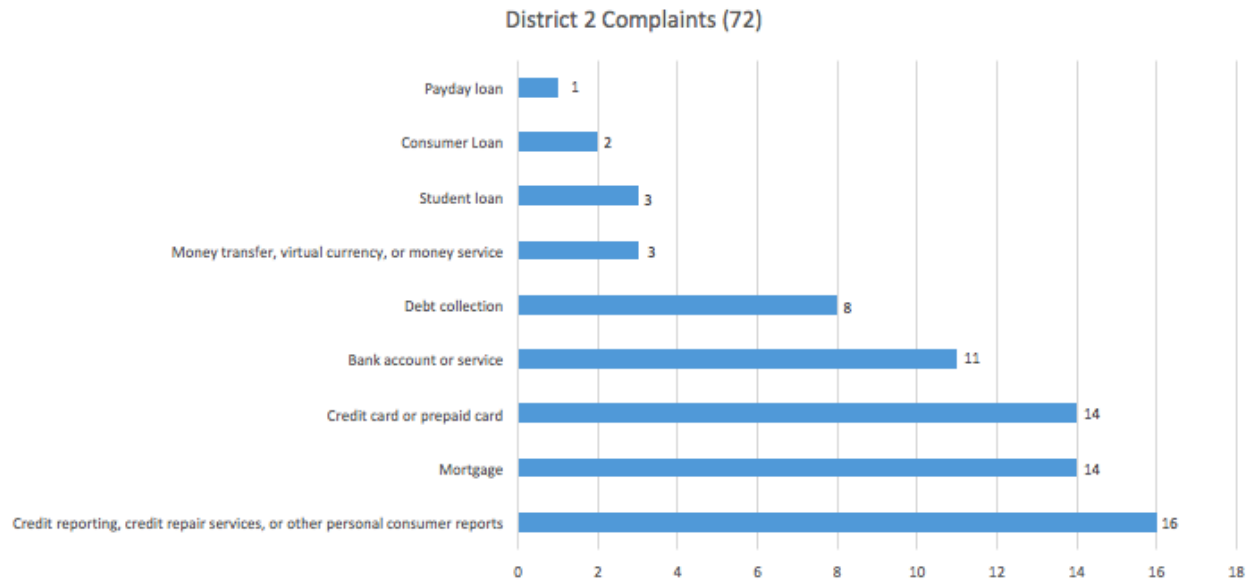


Fig. 20. San Francisco District 2 complaints, organized by product

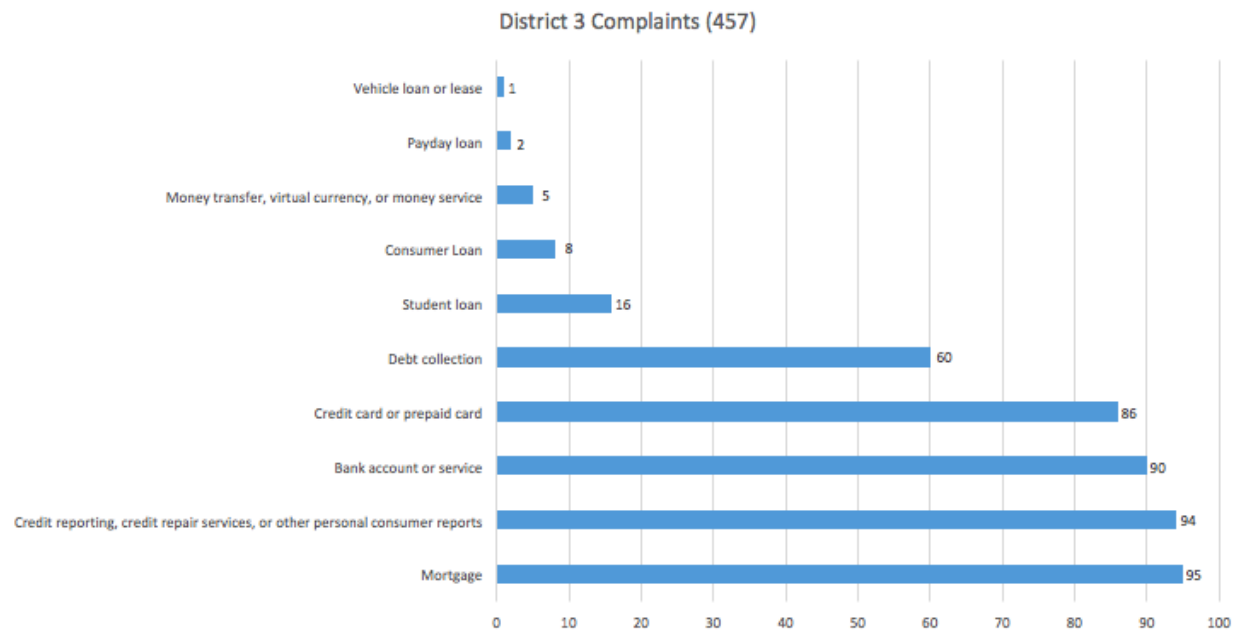


Fig. 21. San Francisco District 3 complaints, organized by product

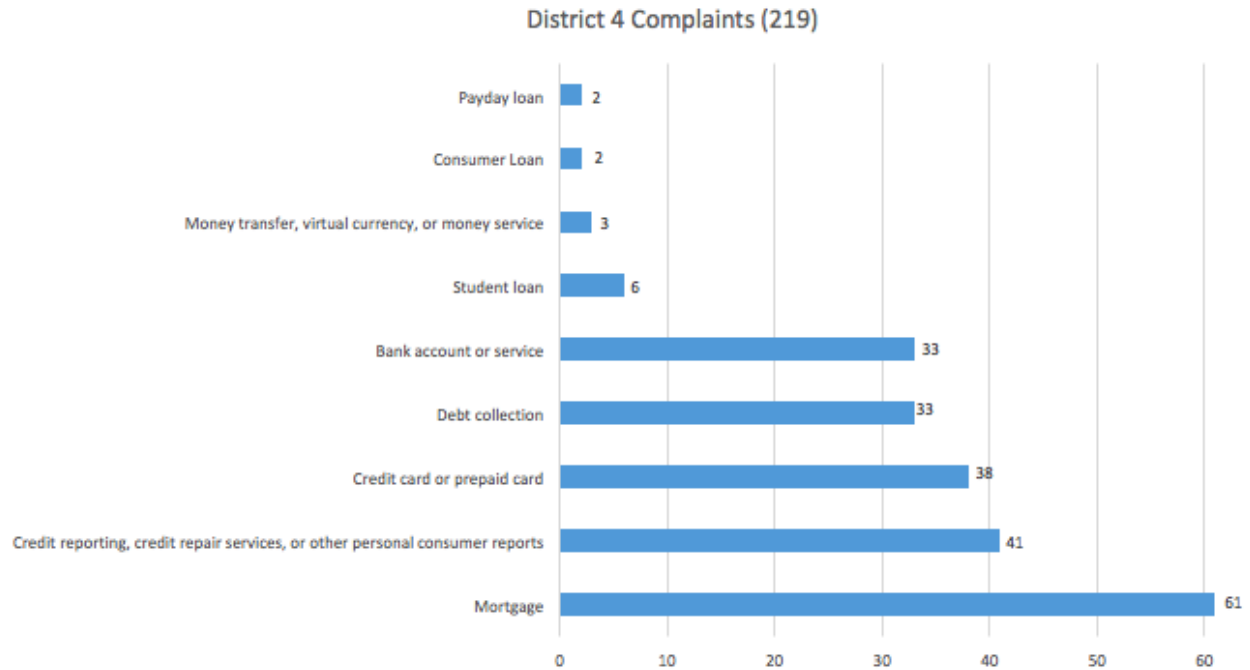


Fig. 22. San Francisco District 4 complaints, organized by product

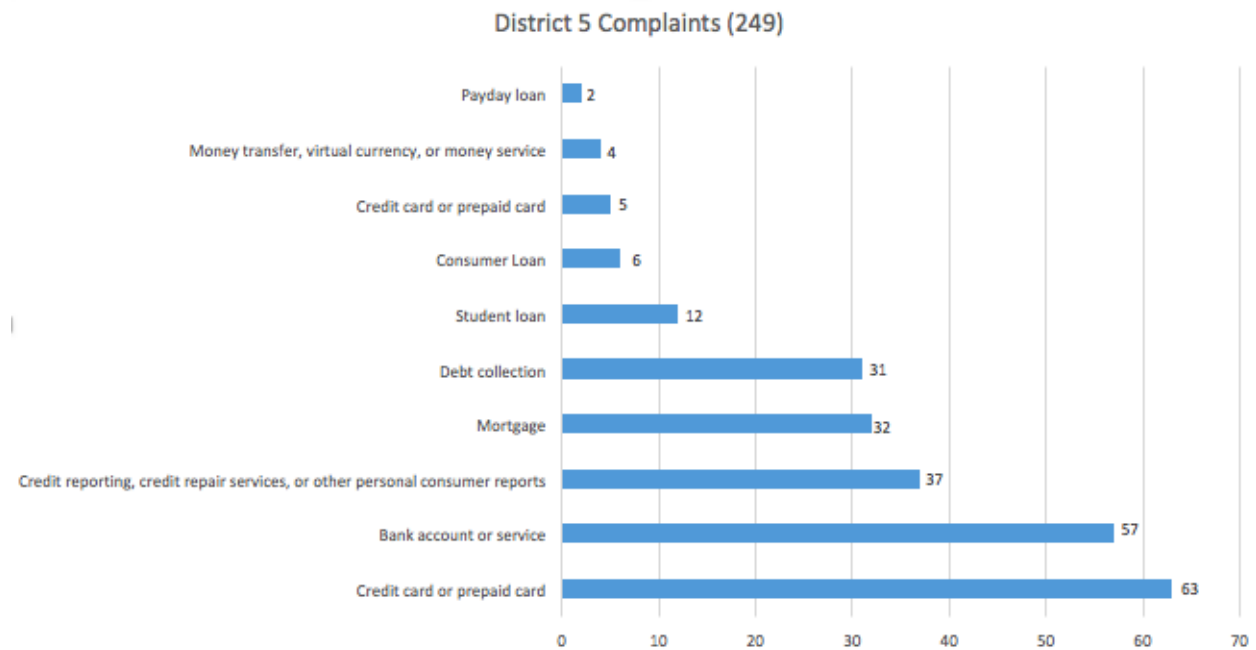


Fig. 23. San Francisco District 5 complaints, organized by product

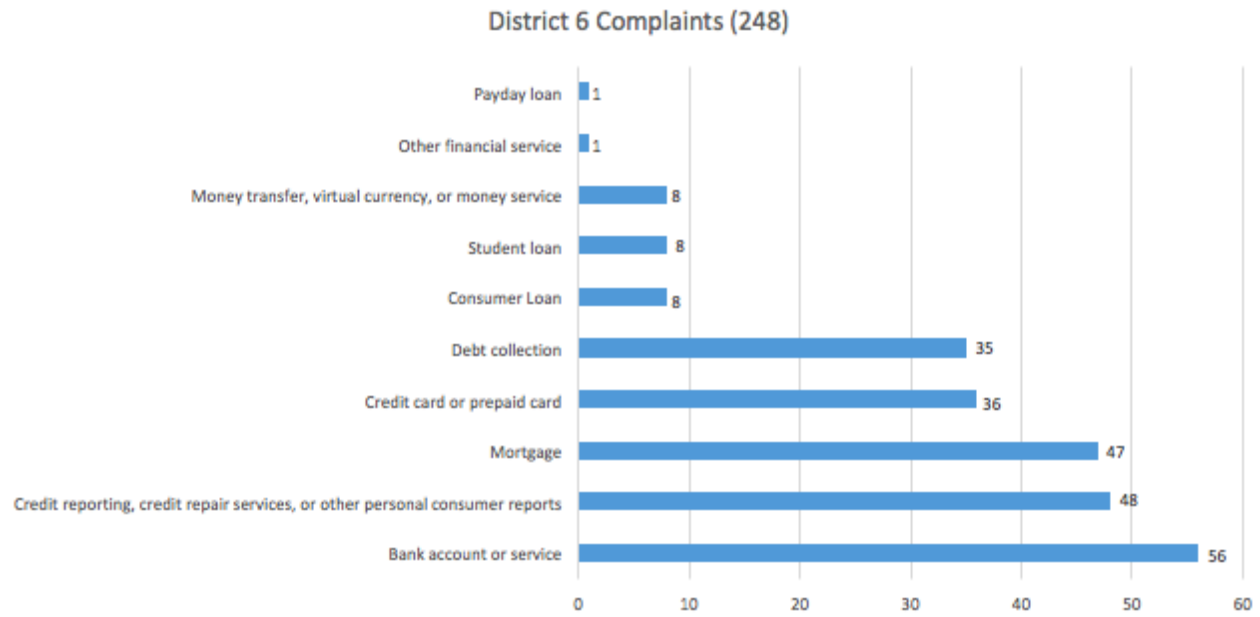


Fig. 24. San Francisco District 6 complaints, organized by product

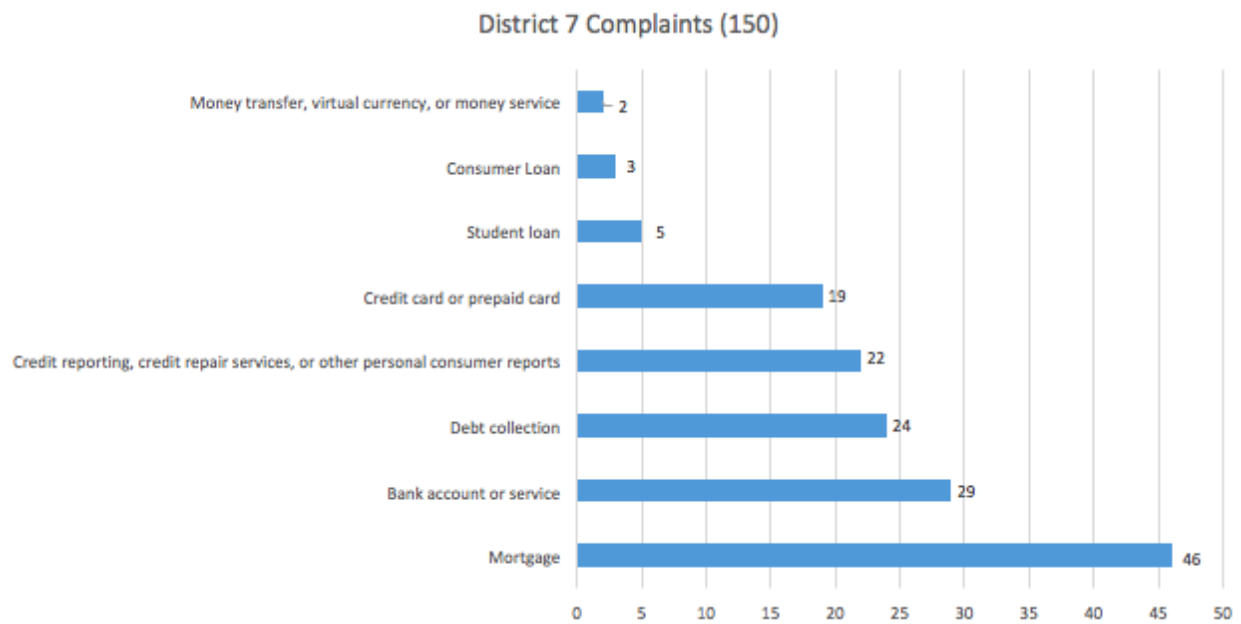


Fig. 25. San Francisco District 7 complaints, organized by product

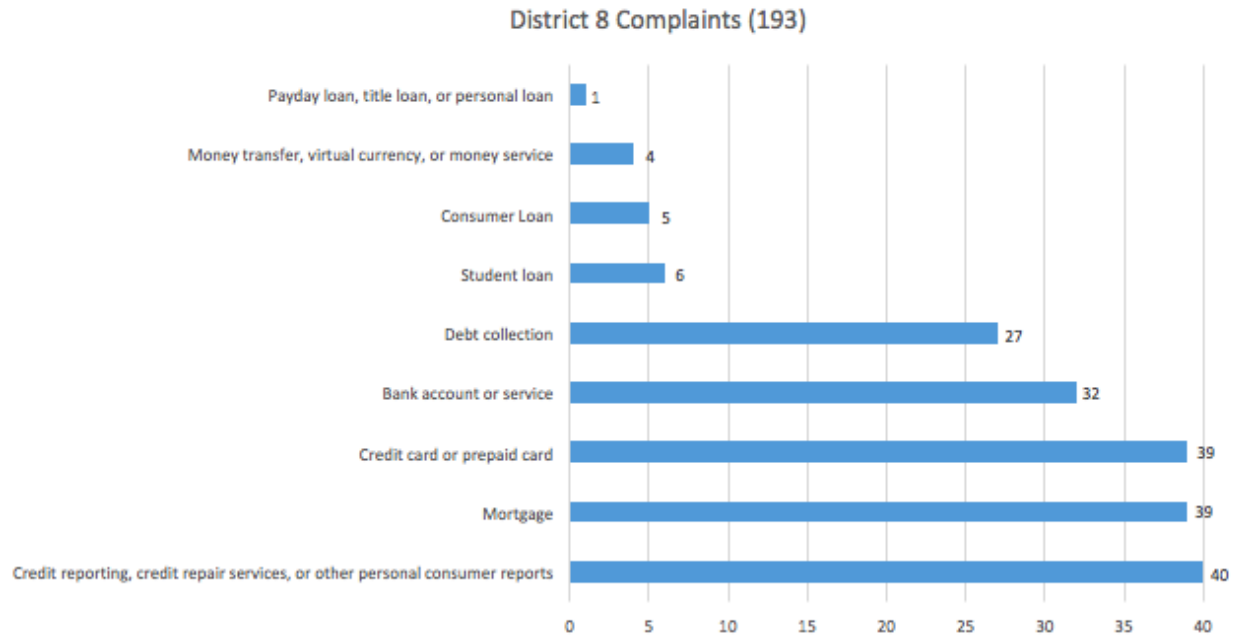


Fig. 26. San Francisco District 8 complaints, organized by product

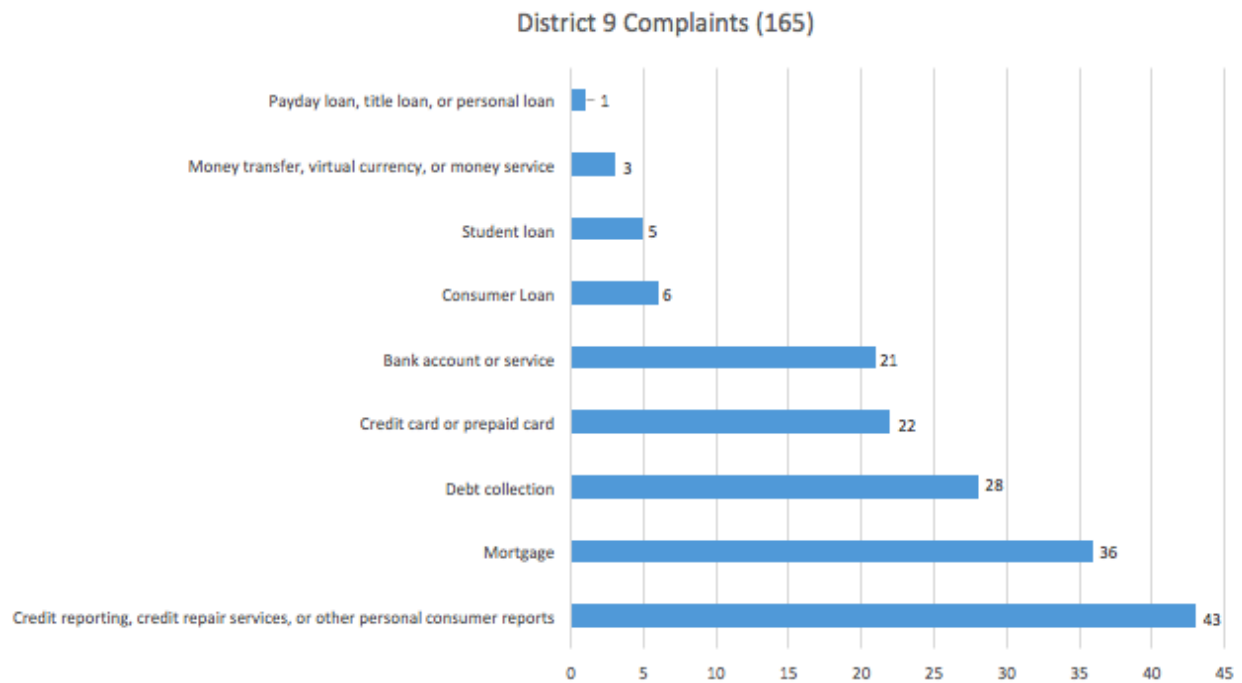


Fig. 27. San Francisco District 10 complaints, organized by product

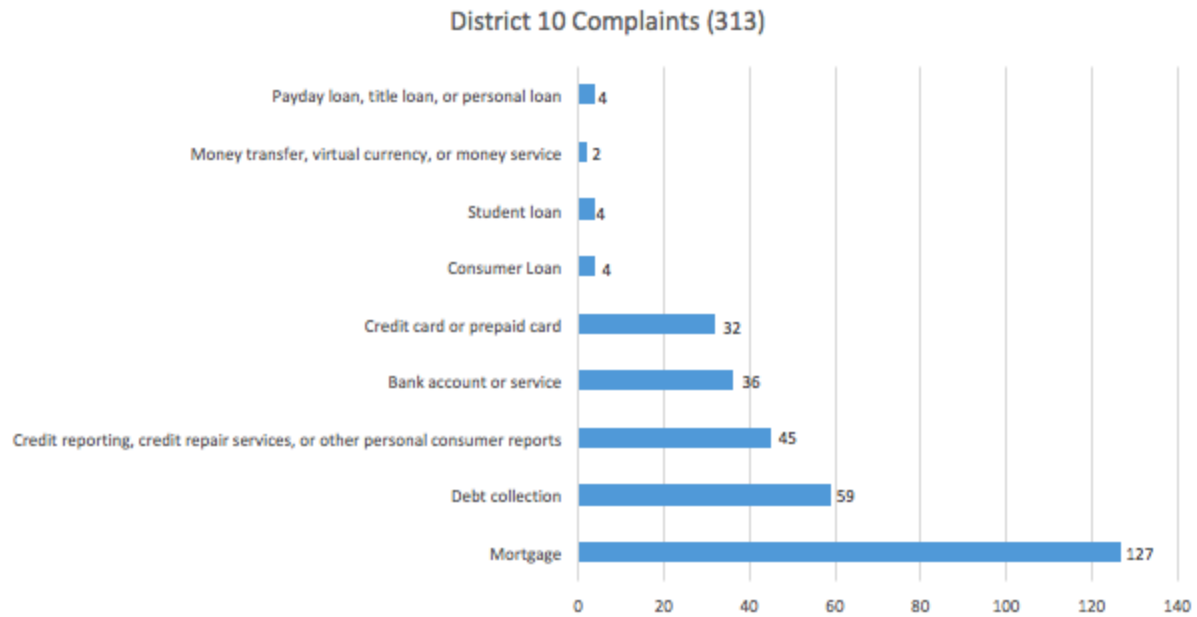


Fig. 28. San Francisco District 10 complaints, organized by product

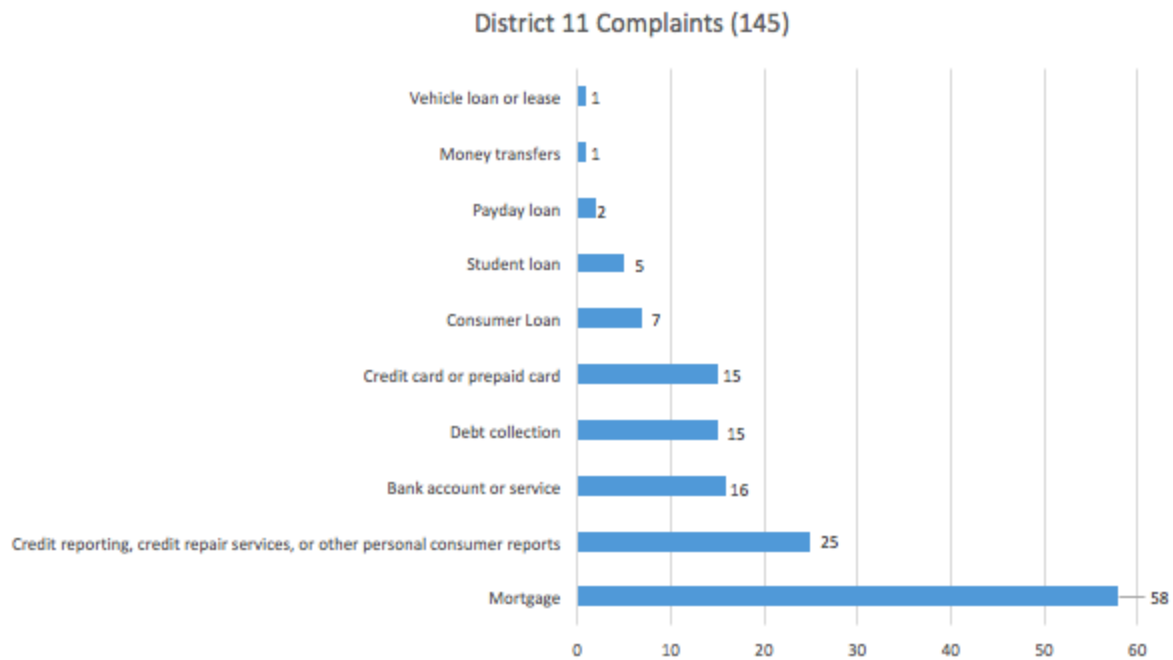


Fig. 29. San Francisco District 11 complaints, organized by product

All districts with the exception of District 5 had mortgages as one of their top three product complaints. District 1 and District 7 did not have “credit reporting, credit repair service or other personal consumer reports” as one of their top three product complaints. District 5 listed “credit card or prepaid card” as their top product complaint but 54%¹⁰⁸ of districts did not have “credit card or prepaid card” as one of their top three product complaints. Some highlighted outliers included District 1 and District 10 listing debt collection as their second-ranked product complaint, as well as District 6 having “bank account or service” as their top product complaint. This analysis explains the nuances of financial challenges between districts. It is vital that policymakers and service providers take this finding into account so that they can better respond to the financial challenges San Francisco residents face across the city.

The Bureau hardly collects any personal information about the consumer besides their zip code. This is because the CFPB is bound by the Paperwork Reduction Act, which is intended to minimize the burden on respondents. In fact, the only two personal identifiers the consumer can elect to share is if they are an older American, a servicemember or both. About 10.2% of respondents did elect to do so (see figures 30-32). Although it’s a small fraction of the overall complaints, it’s worthwhile to know what area of the city these respondents live.¹⁰⁹

¹⁰⁸ District 3, District 6, District 7, District 9, District 10 and District 11

¹⁰⁹ “Narratives” are taken from the complaint narratives. For this category of complaints, the last two digits of the zip code associated with complaint narratives have been removed and listed as “941XX” for an extra measure of precaution to protect consumers’ personal identity. This means that we do not know where in particular these complaints originated in the city.

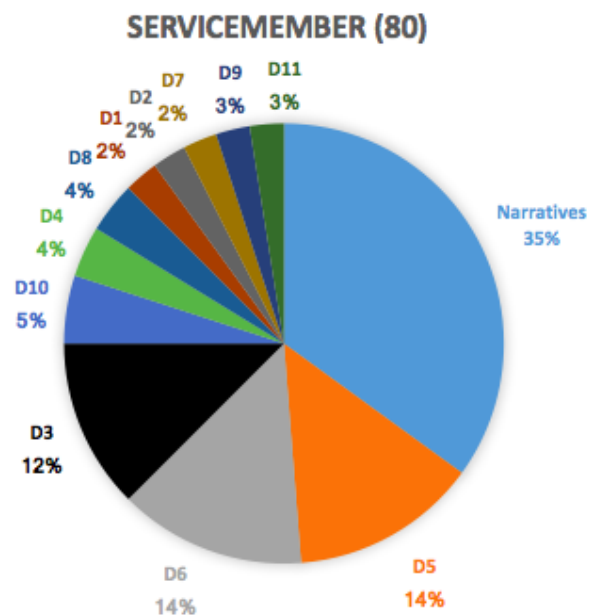
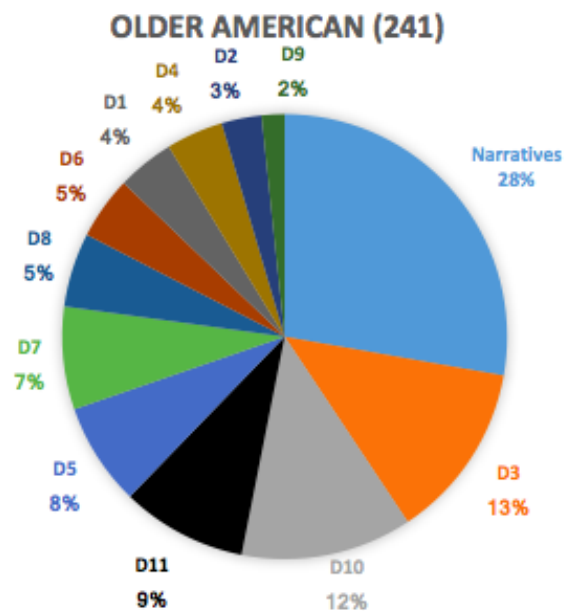


Fig. 30. Complaints submitted by older Americans **Fig. 31** Complaints submitted by servicemembers

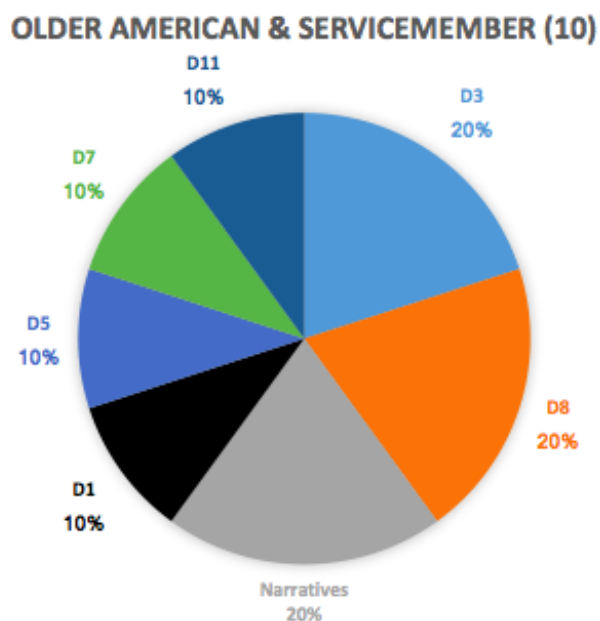


Fig. 32. Complaints submitted by individuals who identify both as an older American and servicemember

According to the San Francisco Department of Aging and Adult Services, senior citizens (those 65 and older) make up 14% of San Francisco’s population.¹¹⁰ This population is particularly vulnerable to financial fraud and scams. Jamie Woo, who works at Consumer Action and helps monolingual and limited-English speaking Chinese immigrants learn their rights as consumers, says that there has been an upsurge of financial scams aimed at seniors of the Asian-American community in San Francisco.¹¹¹ Additionally, in a recent 2016 report, the California Department of Business Oversight found that the number of seniors (those 62 or older) caught in the payday lending debt trap nearly tripled since 2015.¹¹² Payday loans were one of the lowest product complaints submitted to CFPB by this demographic, but this most likely is due to the fact that older Americans are typically less comfortable with technology and so might not be able to submit a complaint or alternatively are not aware of the new agency’s existence.

Consumer Complaint Narratives From The CFPB’s Consumer Complaint Database

About 30 percent of the overall San Francisco complaints included a complaint narrative, which allowed the consumer to qualitatively describe in detail their grievances with the financial institution in question. This feature was introduced in 2015. Since then, 45% of consumers have

¹¹⁰ The San Francisco Human Services Agency Planning Unit, “Assessment of the Needs of San Francisco Seniors and Adults with Disabilities,” The San Francisco Department of Aging and Adult Services, March 16, 2016, <https://www.sfhsa.org/file/201/download?token=8NjcnESa>.

¹¹¹ Jamie Woo, interview with the author, March 13, 2018. She primarily works in Chinatown, South of Market, the Richmond District, the Sunset and the Excelsior.

¹¹² Graciela Aponte-Diaz, “DBO Study Shows Alarming Rate Of California Seniors Caught In Payday Lending Debt Trap,” The Center For Responsible Lending, July 7, 2017, <http://www.responsiblelending.org/es/media/dbo-study-shows-alarming-rate-california-seniors-caught-payday-lending-debt-trap>.

chosen to spend additional time writing what happened from their perspective. The last two digits of the zip code associated with complaint narratives have been removed and listed as “941XX” for an extra measure of precaution to protect consumers’ personal identity. This means that we do not know where in particular these complaints originated in the city. Comparing San Francisco’s overall product complaints to the subset of complaint narratives we find only two notable differences. Debt collection is ranked as the third most complained about product, as opposed to being the fifth for overall complaints. Mortgages are ranked fifth for the subset, as opposed to being the second for overall complaints. These findings are in line with the product complaint trends for 2015 through 2018.

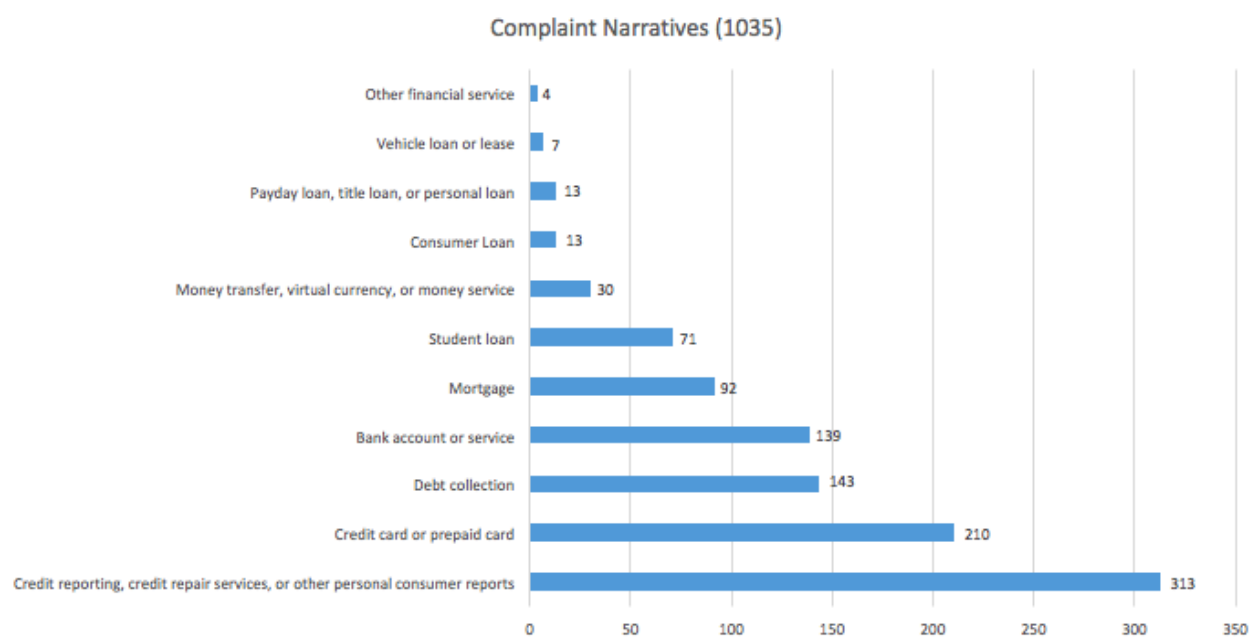


Fig. 33. The number of complaint narratives submitted by San Francisco residents to the CFPB organized by product

Highlights From The Consumer Complaint Narratives:

These complaint narratives connect the problems to actual human experiences. The public is able to hear directly from the consumers and the narratives provide insight into how these issues are impacting their lives. The consumer narratives transform a data statistic into a testimonial. Many of the accounts are emotional and convey feelings of anger, hopelessness, confusion or desperation. Below are a sample of the narratives from the top three product complaints to elevate the voices of San Franciscans and their experiences with the financial services industry. A number of the narratives have been scrubbed, meaning personal and other sensitive information has been removed, which is why they are marked as “XXXX.”¹¹³

Credit Reporting, Credit Repair Services, or Other Personal Consumer Reports:

“I am a victim of Equifax 's data breach which exposed millions of American's personal information to unknown sources. As a result, I could be targeted for identity theft or other financial crimes. This is one of the largest breaches of information in history and Equifax failed to keep this very sensitive information safe.”

“TransUnion charges \$10.00 to initiate a freeze or lift a freeze online. This is exploitation at a time when a large number of Americans are affected by the XXXX data breach. Why should I pay for protecting my data when I never consented to its collection in the first place?”

¹¹³ The CFPB Office of Consumer Response, “Narrative Scrubbing Standard,” The Consumer Financial Protection Bureau, March 2015, https://files.consumerfinance.gov/a/assets/201503_cfpb_Narrative-Scrubbing-Standard.pdf.

“For the last month I have been trying desperately to get this company to correct my credit report. The file they have on me is ridden with faulty information and I have written to them to no avail. My last letter to them yielded no movement or corrections even though none of the data providers seem to have been contacted by the bureaus when I’ve called these data furnishers to verify contact.”

Credit Card or Prepaid Card:

“I am entitled to XXXX payments relating to Paid Family Leave for my daughter on XX/XX/2017. Those payments come via a Bank of America prepaid debit card. The original card was supposed to have been sent to my current address on XX/XX/2017 ; it never arrived. When I reached out to Bank of America, they informed me that the only free option was to issue me a new card, arriving approximately XX/XX/2017 - about 1.5 months after my leave began. Alternatively, I could pay \$10.00 to receive the card sooner. They refused to pay for the quicker shipment, claiming that I must have thrown the card in the garbage (which, of course, did not happen).”

“Between us, my husband and I have \$140,000.00 in debt, mostly on high-interest (25 % and more) credit cards and bank lines of credit. This debt is all directly or indirectly the result of medical bills and the huge insurance premiums we had to pay in the XX/XX/XXXX before we qualified for XXXX. Every year now we pay five figures in interest on this debt. Wells Fargo has turned us down twice for a loan that would lower

our finance charges. They say our debt-to-income ratio is too high, yet they won't even tell us what the ratio would need to be for us to qualify. We are XXXX XXXX, respected in our industries, and we are able to cover our other living expenses with income from our work. However, there is a limit to how much we can ever earn between us, no matter how hard we try, and we are getting old. I'm sure we are not alone. There must be other Americans in our situation. Please help us. Thank you.”

“I purchased a XXXX blender with my Best Buy Credit card on X/XX/17. In the following statement I started receiving charges for payment protection for XX/XX/XXXX, XX/XX/XXXX, and XX/XX/XXXX while I had not signed up for payment protection.”

Debt Collection:

“This lender has called members of my family and friends in an attempt to contact me to collect a debt. This is illegal. I can not be reached by phone but can be reached via email and conventional postal delivery. Furthermore, they say that I have them listed as an "emergency contact" so my friends and family immediately think something has happened to me.”

“This company, Health Services Asset Management, contacted me first on XXXX XXXX at XXXX and then XXXX XXXX at XXXX in relation to a debt presumably held by my mother, as that is who they were requesting to speak with. As I understand it, repeated

attempts to contact a third party related to the debt holder is illegal and I would like them to cease all contact with me.”

“A company called " XXXX XXXX " or " XXXX XXXX XXXX " said they are trying to collect on a credit card debt with a bank I don't recall opening. I have not received any notice of any collections attempt and I am current on all my payments for every debt. They threatened jail time if I didn't resolve the matter. They knew my address and the last XXXX of my social security number so I gave them my credit card number to settle the debt. But I did a search on " XXXX XXXX " or " XXXX XXXX XXXX " and nothing came up, which made me suspect this is a scam. Even the website they gave me doesn't work : XXXX”

The addition of the complaint narratives has allowed us to learn much more about the consumer and their experience with predatory practices in the financial services industry. In many cases, the consumer has attempted to resolve the problem on their own a number of times. A number of consumers state that the issue is negatively impacting their family and loved ones. In a few instances, the company in question seems to be operating in either a deceptive, exploitative or illegal manner. In many of the narratives, the consumer is not only concerned about their individual situation but worried that their issue might be impacting other Americans, a motivating factor for why they may have taken the time to contact the CFPB. The complaint narratives are an incredibly valuable resource that provides rich insight into the lives of the consumers.

The Limitations Of The Consumer Complaint Database

As briefly mentioned earlier, there are a number of limitations to the CFPB's Consumer Complaint Database. Although it's another valuable resource the city should use to inform its local consumer financial protection policies, the database should not be viewed as the sole means for having a comprehensive understanding of all the major consumer harms experienced by the entire San Francisco population. By understanding the database's limitations, we can then propose how to find supplemental information to fill the identified gaps.

There are multiple barriers a consumer may face when deciding whether to file a complaint. First, they have to know the CFPB's Consumer Complaint Database exists. Unfortunately, many consumers haven't ever heard of the CFPB, much less that the database exists. In my interviews, I was surprised to find out that even some consumer advocates that work in direct services are not aware of the Consumer Complaint Database. The consumer also has to decide it's worth the time and effort to actually submit the complaint. Some people feel powerless against big corporations, and many low-income people who are working multiple jobs just might not have the time to submit a complaint. This is where the data might be skewed, with an overrepresentation of complaints from people who are not low-income. However, this research can only make intelligent inferences because income is not a piece of data the CFPB collects when a consumer submits a complaint to their database.

Since the CFPB doesn't track race, gender or income, this study is limited in better understanding who is represented in these submitted complaints. It's important to be aware of

who is likely be excluded from these complaints. Two demographics who are likely to be severely underrepresented that were mentioned in my interviews with community non-profits were the homeless population and immigrants.

One of the most vulnerable populations in San Francisco highly likely not to be represented in the submitted complaints to the CFPB are people who are homeless. In January 2015, the San Francisco Homeless Count and Survey identified 6,686 homeless people, but Jennifer Friedenbach of the Coalition on Homelessness says that that number is an undercount because families and youth are underrepresented. She estimates that number should be doubled. Friedenbach said that although the Coalition on Homelessness doesn't have exact data, she anecdotally estimates that between 70% to 80% of people living on the streets are unbanked, meaning they do not have a savings or checking account with a financial institution. She said that because they don't have a relationship with the financial mainstream, most of the homeless community has to go to check cashers and payday lenders to cash their public assistance checks, which charge as much as 10%.¹¹⁴ Even in the unlikely event that a homeless consumer does know about the existence of the CFPB Consumer Complaint Database and has access to the technology required to submit a complaint to the federal agency, Friedenbach says that because they are most likely living in crisis, they probably only have the mental bandwidth to focus on their immediate needs and don't have the wherewithal to submit a complaint.¹¹⁵

¹¹⁴ Margarette Burnette, "How to Cash A Check Without Huge Fees," Nerdwallet, December 15, 2017, <https://www.nerdwallet.com/blog/banking/cash-check-paying-high-fees/>.

¹¹⁵ Jennifer Friedenbach, interview with the author, March 8th, 2018.

San Francisco has a vibrant immigrant population and according to United Way Bay Area, 35% of people who currently live in the city were born in a foreign country.¹¹⁶ There are two major reasons why the immigrant population might be underrepresented in the data. First, there are language barriers. The public complaints on the CFPB website are only viewable in English. This might be a huge problem because according to the U.S. Census, 44% of people living in San Francisco speak a language other than English at home.¹¹⁷ A consumer can call the CFPB, and help is available in 180 languages but only 6% of consumer complaints are received via telephone calls.¹¹⁸ Secondly, given the Trump Administration's xenophobic rhetoric and harsh stances on immigration, immigrants, especially the Latino community, are fearful to access any type of government resource or take advantage of any legal rights due to the threat of deportation. Strikingly, in my interview with Mohan Kanungo, Director of Programs and Engagement at Mission Asset Fund, he said this is even true for some U.S. citizens.

Lastly, given that the CFPB's Consumer Complaint Database has transitioned from a pro-regulation and pro-consumer administration to a deregulation and pro-industry administration, it's also important to think about how many San Francisco residents have not submitted complaints because they didn't believe or trust the Trump administration would do anything to resolve their issue. It would be difficult to quantify this number, but it will be interesting to see if the number of complaints filed in 2018 fall now that the CFPB is being led by Mick Mulvaney, who seems to be focused on defanging the entire agency.

¹¹⁶ "Snapshot of Poverty: San Francisco County," United Way Bay Area, accessed April 23, 2018, <https://uwba.org/wp-content/uploads/2017/10/SanFrancisco-Snapshot.pdf>.

¹¹⁷ "Quick Facts: San Francisco County, California," The United States Census, accessed April 24, 2018, <https://www.census.gov/quickfacts/fact/table/sanfranciscocountycalifornia/EDU685216>.

¹¹⁸ The Consumer Financial Protection Bureau, "2017 Consumer Response Annual Report."

Consumer Interviews

Too often the intended beneficiaries of a policy are excluded and unrepresented at every level of our political decision making process. This happens most often to citizens of economically disadvantaged backgrounds. Scholars such as Shapiro, Gutmann, and Thompson suggest that to rectify this problem, researchers and policymakers should create a participatory process that encourages those who will be impacted by a proposed policy to weigh in and share their experiences and feedback.¹¹⁹ As mentioned previously, the Office of Financial Empowerment is focused on improving the lives of low-income San Franciscans. Given this priority, it's essential that the voices of this demographic of residents are elevated to truly understand the financial struggles they face in their daily life. In fact, Jacob Dumez believes that some of the most powerful ways to learn about what the consumer harms are in San Francisco are anecdotal.¹²⁰ I spoke to four low-income residents during my research, three of whom have lived in San Francisco their entire lives. Each person had experienced unique financial challenges in the city.

Amanda is a 25-year-old caucasian woman and lives in the Sunset. She makes \$25,000 a year.¹²¹ She works as a part-time receptionist for a brewery and is a dog walker for a startup company. When I met her on a rainy day, she had just finished walking dogs and told me that even though she had a bad cold, she had to work because as an independent contract worker she didn't get any sick days and couldn't afford to miss a day's pay. She told me she had recently

¹¹⁹ Ian Shapiro, "The Common Good," in *The State Of Democratic Theory* (Princeton, New Jersey: Princeton University Press, 2003), 22-32.

¹²⁰ Jacob Dumez, interview with the author, March 27th, 2018.

¹²¹ Name changed for privacy, interview with the author, March 2nd, 2018.

gone to a debt management company and said she was she skeptical of taking advantage of city-sponsored debt counseling because she thought they would just tell her to “spend less money,” advice that seemed tone deaf given her financial situation. She is currently \$95,000 in debt, due to mostly student loans and credit card debt. The last \$10,000 of debt was for a personal loan she received from Prosper. She was taking a trip to Europe and although she admitted she didn’t need the full \$10,000 for her vacation, she decided to take the full amount that she was approved for to pay for some other bills and have some extra cash on hand. Amanda’s loan seemed predatory given that she was loaned almost half the amount of money she makes annually. Prosper’s underwriting should have revealed that she wouldn’t be able to pay off the loan in the maximum five year term that is advertised on their website.¹²²

Dominic is a 58-year-old African-American man who lives in Noe Valley with his elderly parents.¹²³ He is currently unemployed but had ten different short-term jobs this past year ranging from catering to temp work. He shared that once he had taken a payday loan of \$2,500 and ended up paying over \$5,000, more than double the amount of the original loan. Unfortunately, Dominic’s experience demonstrates the current problems with California’s payday loan industry. In a 2016 annual report, the California Department of Business Oversight found that 58% of installment loans between \$2,500 to \$5,000 had 100% annual percentage rates or higher.¹²⁴

Nicole is a 42-year-old white woman who lives in the Richmond District.¹²⁵ She lives with a number of disabilities and makes \$35,000 a year as a receptionist at an outpatient mental

¹²² Prosper’s homepage (<https://www.prosper.com/home/>) states, “Pay off your loan with fixed 3 or 5-year* terms, and a budget-friendly, single monthly payment.”

¹²³ Name changed for privacy, interview with author, March 7, 2018.

¹²⁴ “Support AB 2500 Safe Consumer Lending Act,” The Center For Responsible Lending, accessed April 23, 2018, http://www.calassetbuildingcoalition.org/wp-content/uploads/2013/10/AB-2500_Fact-sheet_final.pdf.

¹²⁵ Name changed for privacy, interview with author, March 21, 2018.

health clinic. She recently got a raise from making \$16.32 an hour to \$16.90 an hour. Nicole has resorted to storing money in her office desk drawer after funds she was saving for a rental deposit were garnished from her checking account for child support. Her wage garnishments resulted from when she was unemployed and couldn't make payments for child support. Nicole said that, "we (low-income customers) are like flies to them (banks). They don't want to deal with me." Nicole's perception of banks is in line with a finding from the most recent FDIC National Survey of Unbanked and Underbanked Households. The 2015 report found that 58% of unbanked households thought that banks were not at all interested in serving households like theirs.¹²⁶

Teresa is a 58-year-old African-American woman who lives in Portola.¹²⁷ She is a single-parent and supports herself and her daughter on a \$62,000 salary working as a facilities coordinator at a recreation center in the Western Addition. Teresa describes herself as working class and lives a basic lifestyle. Years ago she inherited her grandmother's Potrero Hill house and thought that she had purchased a fixed rate mortgage but the monthly payments kept getting more expensive. She reached out to the loan servicer six different times to try to modify the loan, and one day she found out that the office had abruptly closed without giving her any notice. Teresa ended up having to sell the house, her family's biggest financial asset, because of the subprime mortgage. Her personal story reflects the fact that historically, communities of color

¹²⁶ Susan Burhouse et al., "2015 FDIC National Survey of Unbanked and Underbanked Households: Executive Summary," The Federal Deposit Insurance Corporation, October 20, 2016, <https://www.fdic.gov/householdsurvey/2015/2015execsumm.pdf>.

¹²⁷ Name changed for privacy, interview with author, March 21, 2018.

have often been targeted for predatory practices, including high-cost, deceptively packaged subprime loans.¹²⁸

There were several important trends that surfaced from these interviews. First, none of these San Francisco residents had heard of the Consumer Financial Protection Bureau or its Consumer Complaint Database. Each of the interviewees had at least one very negative experience with the financial industry that had dramatically affected their personal finances. They felt like they were forced to make a financial decision among a set of very limited options. Almost all of the interviewees didn't seek help resolving their issue with the financial company in question, either because they didn't know where to go or they were overwhelmed by their financial situation.

Progressive Federalism

In *'All Resistance Is Local': A Plan of Progressive Action for the Trump Years*, Heather Gerken explores how the concept of federalism could be used as a tool of resistance.¹²⁹ Gerken introduces the term "progressive federalism" in order to show how localities have fought federal policy in the past. Many of the examples she gives actually have been led by San Francisco, such as marriage equality, legalizing marijuana and raising the minimum wage.

Jacob Dumez, Manager of Programs and Policy for the Office of Financial Empowerment (OFE) explained that San Francisco is in part interested in building up local consumer financial protection now due to the Trump administration. He noted that because federal protections are

¹²⁸ Teddy Miller, "Economic Equity: Homeownership," The Greenlining Institute, accessed April 30, 2018, <http://greenlining.org/issues-impact/economic-equity/homeownership/>.

¹²⁹ Heather Gerken et al., "All Resistance Is Local."

likely to be stripped away to the greatest extent possible, the OFE has heard strong voices declaring that it is time for states and localities to step up.¹³⁰ In the current political climate we live in, many people believe that instead of looking to Washington for solutions or even protections, we should instead shift our attention to what can be done at a local level.

San Francisco is the expert of its own problems, meaning that no other level of government entity has the depth of knowledge or insights into the specific challenges city residents are currently experiencing with the financial services industry. I argue that the findings of this research should be translated into better policy and programs for all San Franciscans. This is especially true given that we can no longer count on the federal government to actively improve consumer protections and provide relevant financial education. This section will outline a wide range of recommendations that are both actionable and practical. I remain cognizant of the fact that Director Mulvaney might take the public database offline and therefore some of these recommendations might become obsolete by the time my research has been published.

Recommendations

1. **The Office of Financial Empowerment should review this research's findings to inform the direction of the city's local consumer protection policy**

This research will be shared with the San Francisco Office of Financial Empowerment with a tentative plan to present findings to the staff members. Afterwards, Jacob Dumez

¹³⁰ Jacob Dumez, interview with the author, March 27, 2018.

and his policy team can use the data analysis to help improve existing programs, develop future policy and share information with community partners.

- In November the OFE announced a new partnership with the Cities for Financial Empowerment Fund to bring a Financial Empowerment Center to San Francisco.¹³¹ This data analysis could be a valuable resource for the OFE decision makers as they decide where to locate this new center.
- The OFE's Smart Money Coaching affiliates, such as the Human Services Agency, the Mayor's Office of Housing and Community Development, HOPE SF public housing sites, and the Office of Economic and Workforce Development, have 18 sites across the city. The data findings could help each site build up financial education to meet the unique challenges of their particular districts.

2. These findings should be shared with all other relevant stakeholders

The findings that surfaced from this research will interest a variety of stakeholders other than the Office of Financial Empowerment. Examples include:

- The Mayor and the Board of Supervisors
- Specific District Supervisors
- Other city departments that are relevant to consumer protection or are interested because of how it affects their constituents
 - For example, given that mortgages were consistently a top consumer complaint, this data should be shared with entities like the San Francisco

¹³¹ The San Francisco Office of Financial Empowerment (@SFOFE), Twitter post, November 14, 2017, 9:41 a.m., <https://twitter.com/SFOFE/status/930490765129551872>.

Housing Authority and the Mayor's Office On Housing and Community Development

- The City Attorney's Office and the District Attorney's office might be interested in specific companies who have harmed San Francisco residents and would be able to pursue legal action against the bad actors

- Mayoral and supervisor candidates

- Given that economic inequality is a major campaign topic of the June race, candidates should be aware of the consumer financial harms happening in the city and in specific districts, especially given the product complaint differences across the districts

- Industry experts, non-profit partners, consumer advocates

3. **The OFE should highlight the CFPB Consumer Complaint Database on their website**

The OFE should educate San Francisco residents about what the Consumer Financial Protection Bureau is and how the Consumer Complaint Database can help them as consumers.

a. Moving forward the OFE should start tracking CFPB data to better understand some of the trends and bad actors

Given that we know the OFE has a small staff with limited resources, tracking

could be done on a quarterly basis. Keeping a close watch on 2018 consumer complaints will be interesting, given that this is the first year a Trump appointee is leading the CFPB. Complaints might for the first year actually drop because of how the CFPB is being deregulated and Mick Mulvaney's most recent declaration that he wants the public database to be eliminated.

4. The OFE should create a resource page on their website

Interviews with low-income San Francisco residents highlight that many people don't know where to turn when they are in financial distress. The OFE needs to do more community outreach so residents know the OFE as the office at City Hall San Franciscans can go to whenever they need help with a consumer finance issue. The OFE should develop a resource page for its website that operates as a "one-stop-shop," where people can go to access verified trusted resources that will make it easier for them to make an informed decision based on their unique circumstances. The listed resources will include information from non-profit partners including Consumer Action, Consumers Union and Bay Area Legal. This is a low hanging fruit project that could be executed in a relatively short amount of time.

5. San Francisco should develop a Consumer Bill of Rights

The reality is that many consumers don't know all of their rights. This places them at high-risk of getting taken advantage by the financial services, which could result in devastating and debilitating consequences. The bill of rights would be passed by the

Board of Supervisors and it would outline the rights related to the financial services industry that consumers already have. Such rights would be taken from both state and federal law in order to avoid preemption. The bill of rights should be written in plain language that is easy to understand and made available in many other languages besides English. The San Francisco Consumer Bill of Rights should be showcased on the OFE website and shared electronically and on printed material with community partners and other relevant stakeholders.

6. The OFE should commission a household level study to obtain more qualitative information about the financial struggles of San Franciscans, particularly low-income communities and families of color

As mentioned, the limitations of the CFPB Consumer Complaint Database seem to suggest that there might be overrepresentation of middle to high-income consumers, and an underrepresentation of low-income consumers. We also don't know other important information about the consumers (ex. Race, gender, employment status, level of education) that would be really helpful to know. A household level study would complement the data findings to help reveal how consumer harms are impacting real people's lives. It would also be able to demonstrate the intersectionality of the consumers who live in San Francisco and are experiencing problems with the financial industry. For example, a consumer might be a low-income immigrant who predominantly speaks Spanish and had a problem with a money transfer. The household level study would

further humanize the problems San Franciscans are having with predatory financial practices.

7. The OFE should pilot a financial education class that would become a graduation requirement for San Francisco Unified School District

The importance of financial education was consistently brought up in my interviews. Consumers, advocates, and policymakers believe that young people don't get enough information about finances, and have to rely on family and friends for that type of education. This is a major problem because some families are better versed in managing personal finances than others so all young adults don't start on a level playing field. Personal finance is a subject that all students should learn about in school because regardless of what they do after graduation, they should be empowered to make smart decisions that help protect and build their financial futures.

8. The methodology of this report should be shared with other cities around the country so they can utilize the CFPB Consumer Complaint Database while it's still available to the public

Other cities should be contacted and notified about the precarious fate of the CFPB Consumer Complaint Database and be advised to download their city's information so they can conduct their own analysis of the consumer financial harms affecting their

residents.

Conclusion:

In the wake of the 2008 financial crisis, it became apparent how much power the financial services industry has over our daily lives. Left to their own devices and without appropriate regulation in place, many of these financial service companies were willing to operate in deceptive ways that had catastrophic consequences for millions of Americans. Consumer financial protections have now become a 21st-century civil rights issue. Predatory financial practices disproportionately impact low-income populations, including communities of color, the elderly and immigrants. For the past seven years starting in 2011, Washington began to hold the financial services industry more accountable to the American people by establishing the CFPB Consumer Complaint Database.

Today, however, we see that the federal government is quickly absolving itself from the responsibility to protect consumers from the wolves of Wall Street. Local governments should not stand idly by when the Trump administration is creating an environment that will enable the financial services industry to once again abuse consumers without any major repercussions. Luckily, San Francisco is taking proactive actions to develop its own local consumer financial protections, and they will need to leverage all the data and resources available to create policies that address the specific needs of their city residents.

With an estimated 353,287 households living in San Francisco, these 3,390 complaints provide a robust sample size to understand some of the financial struggles of the wider

population of the city.¹³² Given that the CFPB Consumer Complaint Database is a relatively new resource that many people are not aware of, it's striking that almost four thousand residents have filed a complaint to the CFPB in an attempt to get a response from the company and resolve their issues. If this many people were able to find the Consumer Complaint Database and were upset enough to take the time to file a complaint, how many other city residents are struggling alone with their financial company?

The ultimate goal of this research is to improve the lives of San Francisco residents by better understanding their challenges with the financial services industry. Data analysis can only provide one vantage point. Another crucial element to succeeding in this goal was to actually hear directly from the consumers themselves. This was accomplished by reviewing consumer complaint narratives and completing four in-depth interviews with low-income San Franciscans. One of the biggest takeaways from these two qualitative elements of this research is how personal finance issues can affect many other aspects of a consumer's life, be it their family, their future or their emotional state. This underscores how important consumer financial protections are because if these protections are not in place, financial issues can have devastating effects on consumers' perceptions of the financial mainstream and their trust in government to protect them and their livelihoods.

There are three major conclusions that can be derived from my findings. First, there are key differences between the product complaints at a national level and the product complaints from San Francisco. Understanding the distinctive product complaints will allow city policymakers to accurately prioritize and address the problems San Francisco residents have.

¹³² Prosperity Now, "San Francisco County, CA Prosperity Now Scorecard 2017."

Secondly, problems with the financial services industry are a city-wide issue that affect every district of San Francisco and affects residents at every income level. Lastly, on an even more granular level, this research found that there are differences in product complaints from district to district. These major findings, in addition to the data analysis, complaint narratives and interviews with consumers, advocates and policymakers, helped me to formulate a set of recommendations.

We are living in a time where consumer financial protections cannot be taken for granted; they must be fought for. It's clear that for the foreseeable future we cannot depend on the leaders in Washington to hold the financial services industry accountable. Instead, it will be up to progressive cities like San Francisco to remain fierce champions of consumer financial protections; people's lives depend on it.

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Appendix

Methodology

The data from the Consumer Financial Protection Bureau's Consumer Complaint Database was downloaded on March 1st, 2018 to an Excel file. I downloaded the data from all complaints from California and then pulled all the San Francisco zip codes defined by the United States Postal Service and 941XXX complaints, which totaled 3,390 complaints. I then organized the zip codes by neighborhood according to the Healthy San Francisco Map¹³³ and the San Francisco's Planning Department Map¹³⁴. I also organized the zip codes according to the district. If multiple districts shared a zip code, I made a judgement call regarding which of the two districts contains most of the zip code area, and put 100% of the complaints in that district. I organized and combined some of the product complaints.

Some of the product types appear to be redundant. This is because in April of 2017, the CFPB streamlined the number of product options from 12 to 9 to make completing the complaint form more intuitive for consumers.¹³⁵ For some categories, there can be somewhat repetitive categories because of raw data (before the April 2017 change) and thereafter. For example, previously there were two categories "Credit card" and "Prepaid card" but the CFPB combined the two to "Credit card or prepaid card" because they found that consumers often thought of these products together. I also combined "bank account or service" with "check or savings

¹³³ "San Francisco Burden of Disease and Injury Study: Determinants of Health," San Francisco Department of Health, Accessed February 10th, 2018, <http://www.healthysf.org/bdi/outcomes/zipmap.htm>.

¹³⁴ "Neighborhood Groups Map," The San Francisco Planning Department, accessed February 10th, 2018, <http://sf-planning.org/NEIGHBORHOOD-GROUPS-MAP>.

¹³⁵ "CFPB Summary of Product and Sub-Product Changes," The Consumer Financial Protection Bureau, April 24, 2017, https://files.consumerfinance.gov/f/documents/201704_cfpb_Summary_of_Product_and_Sub-product_Changes.pdf.

account," "credit reporting, credit repair services, or other personal consumer reports" with "credit reporting," "money transfer" with "money transfer, virtual currency, or money service," and lastly "payday loan" with "payday, loan title loan, or personal loan."

I interviewed four low-income consumers about their experiences with the financial services industry such as banks and payday lenders. I sourced my interviewees using a number of strategies. I posted ads on Craigslist and Nextdoor, went to a Western Addition community meeting, and was also introduced to a friend of a friend. I wanted to get a deeper understanding of financial barriers and strategies, etc., as well as my informant's relationships with financial institutions/service providers, both formal and informal. This anecdotal information helped to humanize the data I analyzed from the CFPB Consumer Complaint database and also enabled me to create thoughtful policy recommendations that address some of the challenges my interviewees share with me.

This group of people provided some of the most valuable insights to my research. Throughout my research I found that people were hesitant to be interviewed without any type of financial incentive, given that they are likely surviving on the economic margins and would be generously sharing an hour of their time with me. The Institutional Review Board for the Protection of Human Subjects approved an amendment that allowed me to financially compensate this group of interviewees for their time. I was approved to pay each interviewee \$30 and used my own funds to pay for these interviews. While this is not a large amount of money, it is more than double San Francisco's minimum wage. Since I had already conducted all four of my interviews before the approval, I compensated these interviewees retroactively. They were

not aware that they would be compensated and in no way did the compensation influenced the interviews themselves. The payment validated their unique contribution to my research.

I also interviewed another group of people that were policymakers or consumer advocates. The interviews were conducted in-person and on the phone. This included people from the Office of Financial Empowerment, Mission Asset Fund, the Mission Economic Development Agency, Consumer Action, the San Francisco Housing Development Corporation, the Center for Responsible Lending and the Opportunity Fund. I was interested in their experiences working in financial empowerment and consumer rights advocacy. These interviews helped me better understand my data and develop my recommendations.